Rail privatisation

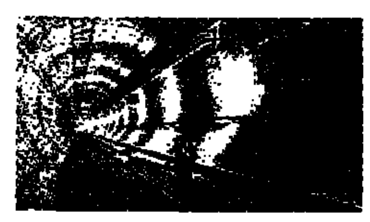
Signals at danger

Page 14

Japanese brewers

Head for the next round

Page 20



Risk assessment

Putting a price on fear

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Hanson

What strategy?

Page 17

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY OCTOBER 7 1992 — D8523A

Boeing planned safety warning before El Al crash

US aircraft maker Boeing was about to warn airlines operating older versions of its 747 jumbo jet to inspect engine fixtures just before the El Al cargo aircraft crashed in Amsterdam on Sunday after losing two engines.

The company said customers had been notified before the disaster that an inspection request was pending. But formal notification asking airlines to inspect the fuse pins connecting the engine struts to the wings was only sent after the crash. Page 16; Grim reminder to insurers, Page 2; The cost of fear, Page 10

Yeltsin points out mistakes: Russian president Boris Yeltsin demanded "corrections" in economic reforms and said because of mistakes by the cabinet the people had made greater sacrifices than necessary. Page 2

Poll success for Kuwaiti opposition: Kuwait's political opposition won a surprisingly substantial majority in elections to the emirate's national assembly. Page 16

Major wins backing: UK prime minister John Major won clear backing at the ruling Conservative party's annual conference for his stance in seeking British ratification of the Maastricht treaty. But he faced an attack from Lord Tebbit, former party chairman, who threatened to plunge the party into civil war. Page 16; Conference reports, Page 7

Continental bid battle: Aeromexico, Mexico's largest airline, joined the bidding for Continental Airlines, fifth-largest US carrier in bankruptcy since late-1990. An Air Canada investment group – one of five consortia interested in Continental – increased its offer to $425m. Page 17

Nissan chief says industry at crossroads

The Japanese motor industry "may now be at a structural crossroads," Nissan president Yoshifumi Tsuji (left) said. "The global motor industry is facing a business climate of unprecedented severity," *he said. Nissan is this* year expecting its first loss since 1946. Page 19

German economic gloom: The level of industrial orders in west Germany fell in August for the sixth month in succession, while retail trade figures showed a sharp drop in turnover in the past 12 months. Page 2

Société Générale de Belgique, Belgium's largest holding company, saw first-half profits slip from BFr4.81bn ($164m) to BFr4.47bn, though profits before extraordinary gains – current profits – rose sharply from last year's trough. Page 17

Parker Pen bid to be probed: *The UK Monopolies and Mergers Commission* is to investigate the proposed £285m ($507m) purchase of Parker Pen by Gillette, US razor, stationery and toiletries manufacturer. Page 22

Aircraft crashes on test flight: A British Aerospace Jetstream 31 commuter aircraft on a test flight crashed near Prestwick airport, western Scotland, killing two crew. No passengers were on board.

Angola-US tensions: Unita, Angolan rebel movement, continued threats to disrupt the country's peace process after being defeated in the country's first democratic elections, raising tensions between Angola and the US. Page 6

Citicorp under pressure: Shares in Citicorp were traded heavily on Wall Street after the surprise resignation of Citicorp president Richard Braddock, who was the closest collaborator of bank chairman John Reed. Page 18

EC pledge on Gatt: Reacting to a German appeal for a breakthrough on Gatt's Uruguay Round trade talks, European Community ministers agreed to complete a comprehensive deal by the end of the year. Page 5

Denholm Elliott dies: Denholm Elliott, one of Britain's leading character actors, died of an Aids-related illness at his home in Ibiza. He was 70. His films included *The Cruel Sea* and *Room with a View.* Obituary, Page 13

Letting it go: John Lennon's Oscar for the *best song in Let It Be, a documentary about the* last recording session by the Beatles pop group, fetched $110,000 at a New York auction.

■ STOCK MARKET INDICES		
FT-SE 100	2,488.4	(+42.1)
Yield	4.83	
FT-SE Eurotrack 100	954.29	(+16.87)
FT-A All-Share	1,178.08	(+1.4%)
FT-A World Index	136.44	(+0.2%)
Nikkei	17,258.18	(+168.60)
New York:		
Dow Jones Ind Ave	3,178.19	(−0.81)
S&P Composite	407.18	(−0.39)
■ US RATES		
Federal Funds	3%	(3⅛%)
3-mo Treas Bills: Yld	2.777%	(2.673%)
Long Bond	98	(98 3/32)
Yield	7.411%	(7.345%)
■ LONDON MONEY		
3-mo Interbank	9⅛%	(9 3/16%)
Liffe long gilt future:	Dec 94 3/32	(Dec 95 1/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.350	(20.375)
■ Gold		
New York Comex	$350.1	(350.5)
London	$350.15	(351.05)

■ STERLING		
New York:		
$	1.71325	(1.7133)
London:		
$	1.712	(1.7)
DM	2.4475	(2.3925)
FFr	8.3875	(8.1175)
SFr	2.1375	(2.085)
Y	205	(203.25)
£ Index	81.7	(80.6)
■ DOLLAR		
New York:		
DM	1.428	(1.4215)
FFr	4.845	(4.8275)
SFr	1.2485	(1.2385)
Y	119.75	(119.85)
London:		
DM	1.43	(1.407)
FFr	4.8525	(4.775)
SFr	1.248	(1.226)
Y	119.8	(119.6)
$ Index	60.8	(60.2)
Tokyo close Y 119.79		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

Germany reaches agreement on a single exchange

By David Waller in Frankfurt

THE FRANKFURT Stock Exchange, the largest in Germany, will today announce it has *reached agreement with the* country's seven other exchanges to form Deutsche Börse - a single exchange for Germany.

The agreement, which has taken three years to put together, will be heralded as a vital step in the campaign to turn Frankfurt into an international financial centre to rival London, New York and Tokyo.

Other reforms to bolster the standing of Germany's stock market have been delayed. For legal and other reasons, reforms promoted by Mr Theo Waigel, finance minister, will not be com*pleted until at least the end of* next year, 12 months later than planned.

These include the introduction of an insider dealing law, the creation of a supervisory body for the securities industry, new shareholding disclosure rules, and more sophisticated electronic share trading.

The announcement of agreement on a national German stock *market comes 10 months after Mr* Waigel urged its creation as part of an ambitious package of measures designed to strengthen "Finanzplatz Deutschland" – Germany as a financial centre. Protracted wrangling between Frankfurt and the smaller exchanges in recent years had slowed the development.

German financiers hope that the move will in time reduce the costs of dealing in the German equity market and enhance liquidity, thereby winning back some of the sizeable amount of business in German shares done *in other financial centres, pre*dominantly London. Up to 10 per cent of turnover in some large German companies is routinely conducted in London.

Deutsche Börse will be based on the present Frankfurt Stock Exchange. Under the agreement, the seven smaller stock exchanges – in Düsseldorf, Münich, Hamburg, Stuttgart, Berlin, Hanover and Bremen – *will buy 10 per cent of a new* holding company and be given a total of four seats on an enlarged supervisory board.

The holding company will also buy the Deutsche Terminbörse – the German screen-based futures and options exchange – and acquire the Deutsche Kassenverein, an independent organisation which handles securities settlement.

Mr Rolf Breuer, head of capital markets at Deutsche Bank, Germany's biggest bank, will become chairman of the supervisory board when the structure takes *effect in January. Mr Friedrich* von Metzler will step down as chairman of the Frankfurt Stock Exchange. The agreement, details of which will be announced at a press conference today, follows several years of negotiations.

Lamont to reassure markets on UK economic policy

By Peter Norman and Emma Tucker

MR NORMAN LAMONT, the chancellor of the exchequer, will respond to criticism of a vacuum in UK economic policy by explaining at the ruling Conservative party's annual conference tomorrow how the government plans to manage the economy with sterling outside the European exchange rate mechanism.

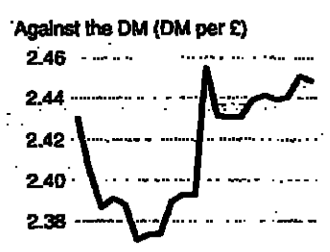
Although his speech in the conference's economic debate will be couched in party political language, it is understood that it *will break with tradition by giv*ing details of the British government's strategy to control inflation and secure recovery.

Mr Lamont will stress that the government will take the sterling exchange rate into account to ensure a tight overall policy and underline the need to keep control over public expenditure.

The decision to use a party political event to disclose aspects of economic policy reflects Treasury concern at the recent steep *fall in sterling and UK equity val*ues. *These were largely blamed* on the government's failure to explain its economic strategy since sterling's float.

Yesterday, however, there was some reprieve for sterling as the D-Mark weakened against the dollar in calmer trading. The pound bounced back 5½ pfennigs from Monday's London close to finish in London at DM2.4475 but analysts were not convinced it *would hold this level for long.*

Sterling



Source: Reuter

Mr George Magnus, economist at S.G. Warburg in London, said many imponderables, such as the lack of UK economic policy and rumours of the reintroduction of capital controls in Italy, made European investors nervous.

The dollar closed in London at DM1.4300, and in New York at DM1.4280, up more than 2 pfennigs, after the Federal Reserve failed to announce a rate cut on the first day of its open markets committee meeting.

The lira, which fell 6 per cent yesterday after Monday's 5 per cent drop, staged a spectacular recovery in late trading to finish in London at L916.2 against the D-Mark, compared with yesterday's low of L985 and Monday's close of L934.4. Selling pressure on European shares also eased. In London, the FT-SE 100 share index ended up 42.1 at 2488.4.

London stockmarket, Page 25
Currencies, Page 32
World stock markets, Page 36

Russian aerospace group looks for western partners

By Paul Betts, Aerospace Correspondent, in London

AVIASTAR, the large Russian aerospace manufacturer, is seeking to attract western partners in an attempt to become one of the world's three biggest commercial aircraft manufacturers.

The Russian group yesterday announced it had appointed Price Waterhouse, the international accounting and management consulting firm, to help it sell up to a 50 per cent stake in the company. Assistance is also being sought to develop a long-term strategy and to identify appropriate alliances with other aircraft manufacturers.

Mr Viktor Mikhaylov, Aviastar's director general, said the company wanted to establish itself over the next 10 years as the third largest commercial aircraft manufacturer after Boeing of the US and the European Airbus consortium. That would *involve collaboration with west*ern manufacturers and the sale of equity to western partners, he said.

Aviastar, which builds the Antonov AN124 cargo aircraft and the 200-seater Tupolev TU 204 twin-engine airliner, was formed from the state-owned Ulyanovsk Aviation industrial complex on the Volga river about 600 miles east of Moscow. Mr Mikhaylov said the conversion of the group into a joint-stock company, which began in November, was expected to be completed by the middle of next year.

"We now have the opportunity to co-operate with western manufacturers and we want to attract them as foreign shareholders," he said.

Aviastar offered potential western partners in the US and Europe low labour costs and considerable aerospace manufacturing expertise, he said.

The company employs about 36,000 people, and the Ulyanovsk complex, in which about $4bn has been invested since 1974, is the most modern aviation facility in Russia, Price Waterhouse said.

Aviastar has already started a series of collaborative ventures with western companies, including a joint venture with Heavylift *Airlines, based in Stansted in the* UK, to operate AN124 cargo aircraft in world markets.

Mr Mikhaylov said Aviastar expected to sign an agreement with the European Airbus consortium next year to provide cargo air services for Airbus.

This would involve the supply of two AN124 aircraft for three years to transport Airbus A330/A340 wings and wingboxes manufactured by British Aerospace in the UK for final assembly of the new Airbus widebody aircraft at Toulouse in south-west France.

Aviastar is also a leading shareholder in the British Russian Aviation Corporation which has been set up to market TU-204 airliners powered by Rolls-Royce engines. A Tu-204 aircraft with Rolls-Royce engines was displayed at the Farnborough Air Show last month.

The TU-204 is a Russian rival of the Boeing 757 twin engine airliner and the Airbus A320. But the aircraft is about 20-25 per cent cheaper than its US and European competitors, Mr Mikhaylov said.

Aviastar also expects to reach final agreement by the end of this month on a new joint venture with Courtaulds Aerospace of the UK and Fleming Russia *Investment Corporation to set up* a new aircraft painting facility at Ulyanovsk for its An124 and TU-204 aircraft production lines.

Russian manufacturers have sought international partners to bring their products up to western standards to increase their appeal on world markets.

Bill Clinton listens to advice from his wife Hillary before speaking in Daytona Beach, Florida

Baker shows a different kind of bunker mentality

By Jurek Martin in Washington

MR JAMES BAKER is, according to those who never see him, moving might and main behind the scenes to bring off the greatest political resurrection since Lazarus (also known as Harry) Truman.

President George Bush as good as said on Sunday that he looked forward to having his good friend running the nation's foreign policy again in a second term.

Some of those who have caught sight of Mr Baker in the flesh recently report something different – that he is playing more weekend golf than he ever did as secretary of state. This denotes, in the view of Washington gossips, either massive confidence that Mr Bush will win or, the increasingly prevalent assessment, that only a miracle beyond his earthly powers can *save the Bush presidency from defeat a month from now.*

The second opinion was in the ascendancy yesterday with the publication of new national and state opinion polls. Their message was almost uniform: that the political balance in the US, having been volatile for the first 7½ months of the year, has become stable and that the election looks sewn up for governor Bill Clinton, the Democratic candidate.

A national Harris poll gives Mr Clinton 53 per cent, Mr Bush 36 per cent and Mr Ross Perot, the independent, 9 per cent. The *Washington Post/ABC News split* is 48-35-9 and that of the New York Times/CBS News 46-38-7.

An ABC "map" of the 10 biggest states, comprising 257 of the 270 Electoral College votes needed for victory, finds Mr

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Yeltsin bows to fierce anti-reform backlash

By John Lloyd and Dmitry Volkov in Moscow

MR Boris Yeltsin, the Russian president, yesterday abandoned outright support for his cabinet, admitting they had made mistakes and that the sacrifices of the Russian people had been greater than needed.

"Corrections must be made in the reforms. This is a demand from the president," he told Russian deputies.

He also made overtures to the centrist industrialists' faction, Civic Union, which wants slower reform and industrial subsidies retained.

The effect of Mr Yeltsin's speech was to put him above the political fray, in a position where he can choose between competing programmes – and where his support for the cabinet of Mr Yegor Gaidar is now much more measured.

He chided the "Gaidar team" for rejecting all ideas not their own and advised them to take note of the proposals of Civic Union, led by Mr Arkady Volsky.

Mr Yeltsin singled out two of Mr Gaidar's closest allies – Mr Peter Aven, minister for foreign economic affairs and Mr Andrei Nechayev, minister for the economy, blaming them for inefficiency.

He followed that with the lukewarm observation that this was not a cause for the resignation of the government and that "another government would have been worse". The fate of Mr Aven and Mr Nechayev was uncertain last night, though the rumour mill had already marked the latter down for the ambassadorship to Austria.

Mr Gaidar, speaking after Mr Yeltsin, claimed there was no alternative to his programme and produced a detailed critique of the industrialists' proposals, saying that the "Chinese model" of controlled reform from the top endorsed by Mr Volsky and his colleagues was not an option for Russia. That model, he reminded the deputies, was one where opposition was suppressed and division of powers unknown.

On specific measures, the president said that:

■ The rouble – which plunged again against the dollar yesterday from 309 to 342 – should be "the only means of payment in Russia".

He proposed banning the use of foreign currencies to pay for goods and services, a measure which would directly oppose the trend to the use of hard currencies by foreign and Russian companies.

■ A "real" rouble rate against the dollar must be achieved by widening trading of the rouble. Exporters would be made to sell all of their hard currency receipts for roubles at the market exchange rate – a measure sure to be unpopular with Russia's hard pressed export industries.

■ He had already signed a decree allowing citizens to use their privatisation vouchers to buy land, houses and municipal property (shops and small businesses), as well as shares in large companies for which the vouchers were originally designed.

■ He had also signed a decree setting up a system of land banks to encourage the growth of private farming.

■ General Alexander Rutskoi, the influential vice-president, had been put in charge of a special commission to root out corruption.

Boris Yeltsin addressing parliament in Moscow yesterday

Russian industry lobby on attack

By Chrystia Freeland in Kiev

MR Arkady Volsky, leader of Russia's conservative industrial lobby, yesterday launched a rearguard attack against the Russian reformist cabinet from the region historically viewed as the crown jewel of the Russian empire, Ukraine.

Speaking to a conference of Ukrainian, Russian and east European factory directors in the Ukrainian capital of Kiev, Mr Volsky expressed satisfaction at the speech made in Moscow by Mr Boris Yeltsin, the Russian president.

The leader of Civic Union told Ukrainian factory directors: "It is pleasant that Mr Yeltsin echoed our views." But he warned that he and his increasingly powerful lobby would not be appeased by a single speech.

He said his group had an alternative economic reform programme and that if this was not adopted by the government he would lead Russia's factory directors into open opposition.

"We need to call a time out on reform," Mr Volsky said. "We should not take a step backwards but for now must jog in one spot."

Mr Volsky said he favours using China and South Korea as models rather than the western market economies Mr Gaidar seeks to emulate.

Mr Volsky's choice of Kiev as a venue for these remarks is part of a wider campaign by Russian conservatives to play the Ukrainian card in an effort to force Mr Yeltsin to back down from radical reform.

Last month's agreement between the Ukrainian and Russian central banks, lambasted by Russian reformers as opening a back door to inflationary policies, is another example of this tactic.

"The basic question is the harmonisation of reform programmes of the republics of the former Soviet Union," Mr Volsky said.

Mr Volsky would clearly like to "harmonise" Russia's approach with that of Ukraine, whose state-dominated economic programme corresponds with his own preferences.

The only bone of contention between Mr Volsky and Mr Vasyl Evtukhov, his Ukrainian counterpart, was the sensitive national issue of Ukraine's plan to introduce a separate currency.

Mr Evtukhov advocated Ukraine's exit from the rouble zone. However, Mr Volsky said that members of the Commonwealth of Independent States should stick to a single currency.

Separatist setback for Georgia

ABKHAZIAN separatists and their allies have secured the whole of north-western Abkhazia in a bloody setback for the Georgian leader, Mr Eduard Shevardnadze, just five days before general elections, Reuter reports from Moscow.

Reports from both sides said yesterday Georgian troops were swept from their last two villages near the Russian border on Monday night, suffering hundreds of casualties.

Some were evacuated by the Black Sea, others fled inland into the mountains, and at least 200 crossed into Russia and were interned, Itar-Tass news agency said.

Following the capture of Gagra on Friday, the rebels now control the entire 100km stretch from the Abkhazian capital, Sukhumi, to the Russian border.

In Moscow, President Boris Yeltsin, main guarantor of an abortive Abkhazia ceasefire agreed last month, told parliament Russian troops were taking over the Abkhazia section of the Moscow-Tbilisi railway.

"There is shooting going on there and we have to protect our weaponry and our servicemen," he said.

However, he denied that Russian forces were taking part in the fighting.

German industrial orders fall again

By Quentin Peel in Bonn

THE LEVEL of industrial orders in west Germany fell in August for the sixth month in succession, underlining the gloomy outlook for the German economy.

A slight improvement in unemployment figures for September, also published yesterday, failed to reflect the normal seasonal upturn, while retail trade figures showed a sharp drop in turnover in the past 12 months.

The level of manufacturing orders was down by 0.4 per cent in August compared with the previous month, and 8.2 per cent lower than August 1991. Taking the two months, July and August, orders were down 1.7 per cent compared with May/June, reflecting a sharp drop of 2.9 per cent in export orders, even before the latest sharp increase in the value of the D-Mark in the currency markets.

The two-month total was down 6.7 per cent from July/August 1991. Although export orders were virtually constant in August, according to the economics ministry, there was a clear drop in orders for the vehicle manufacturing industry, a reliable bell-wether for other sectors.

On the jobs front, the number of unemployed fell by 38,000 in west Germany to 1.783m, although seasonally adjusted that amounts to an increase of some 20,000. Compared with September 1991, the number of jobless was up 174,000.

In east Germany, the unadjusted unemployment figure was also slightly down – by 58,000 to 1.11m – but commentators are unanimous that the figure does not reflect any reliable or lasting upturn in that economy.

Mr Heinrich Franke, president of the Federal Labour Office, said that the figures from the west showed there was no sign of an end to the weakening economy there.

The figures for the east did not suggest any sign of the hoped for upturn in the labour market, although they did indicate that the low point of unemployment might be reached by the end of the year or the beginning of 1993.

Figures for specialised retail trade showed a real 5 per cent drop in turnover over the 12 months to August, according to the retail industry association in Cologne. The slowdown was reflected in public protest yesterday when more than 3,000 workers at Porsche sports car plants staged demonstrations against the company's plan to cut 1,850 jobs in the current year, according to the IG Metall union.

Sweden in free market pledge

By Robert Taylor in Stockholm

SWEDEN'S government will not be deflected from its free market strategy by current economic difficulties, Mr Carl Bildt, the prime minister, said yesterday at the opening of parliament.

Mr Bildt's centre-right coalition will press ahead with free market reforms in its next 12 months in power, Mr Bildt said.

The prime minister's determination is in spite of the historic compromise he made with the Social Democratic opposition in negotiating two all-party crisis packages of spending cuts and tax increases.

The government promised to eliminate the country's growing structural budget deficit as part of its measures to shore up the krona, stimulate competitiveness and calm the markets.

Mr Bildt said legislation in the next parliamentary session would transform Sweden into a more entreprenurial, dynamic country. His pledges indicate the government wants to stick to its long-term strategy of preparing Sweden for European Community membership in 1995 and economic and monetary union.

This autumn's measures include:

■ A bill to enable the supply of venture capital particularly to new enterprises through a risk capital company.

■ The deregulation of Swedish railways, the telecommunications system and the postal services by turning the public enterprises into limited companies.

■ The government is to abolish the state monopoly on labour market institutions, allowing private employment agencies. It will turn the public training board into a limited company.

"New and tougher competition" laws are to introduced to increase competition in public procurement by local authorities.

The prime minister also confirmed that there would be a moratorium on the sale of Sweden's state enterprises because of the "current market situation". However, he said preparations for privatisation would continue. He also announced a measure to underpin the country's banking system with state guarantees. Mr Bildt also unveiled sweeping changes in Sweden's social policy.

A family doctor system would be introduced to operate initially alongside community health centres. The state pensionable retirement age is to be extended from 65 to 66 from January 1 1994.

The government wants to introduce dental care charges from the same date. It is examining a system of mandatory health insurance to shift the cost of medical care from the state by the mid-1990s.

Meanwhile, the Confederation of Swedish Industries reported this week it expects a decline of 1.8 per cent both this year and in 1993 in the country's gross national product and a rise in unemployment to 7 per cent from around 5 per cent now.

UN move on Yugoslav war crimes

By Michael Littlejohns, UN Correspondent, in New York

THE UN Security Council prepared last night to authorise creation of a war crimes commission to look into charges of widespread atrocities against civilians in former Yugoslavia.

The human rights group, Helsinki Watch, the Conference on Security Co-operation in Europe and other sources have reported grave violations, including mass executions, in Serb-run concentration camps in Bosnia.

A resolution before the Council would empower Mr Boutros Boutros-Ghali, the UN secretary-general, to name an expert commission to investigate the charges and receive "substantiated information" from states.

The commission's report, possibly containing recommendations, would have to be submitted to the Council by early November. There is, however, no provision for action against suspected offenders. The plan, while setting a Security Council precedent, thus falls far short of the Nuremberg procedures which brought Nazi war criminals to justice after the second world war.

Mr Muhamed Sacirbey, the Bosnian delegate and a persistent critic of the UN's response to events in his stricken country, termed the proposed action little more than public relations.

But western diplomats insisted that the council must create an inquiry mechanism before it could discuss further measures. Sir David Hannay, the British delegate, called it an "impartial, legally sound process".

Later today or tomorrow, the council is expected to turn to yet another resolution, establishing a no-fly zone for combat aircraft in Bosnia – but without any immediate provision for enforcement.

That could come in a later council decision, but probably not until the UN force has been greatly strengthened by the addition of some 5,000 European and Canadian troops.

In Geneva yesterday, Bosnia's rebel Serb faction said it was prepared to suspend all its military flights over the country in a move which would make a no-fly zone unnecessary. If the no-fly zone went ahead, the militant Serbs said they would walk out of the Geneva peace talks.

While the US favoured using fighter aircraft to enforce a no-fly order against the Serbs, Britain and France feared this could place UN peace-keepers at grave risk as they escorted humanitarian aid convoys.

● Air and land convoys to Bosnia are meeting less than one-third of the urgent food needs there, the UN refugee agency said yesterday, Reuter reports from Geneva.

"We are not short of food. What we are short of is an ability to deliver it," said Ms Sylvana Foa, spokeswoman for the United Nations High Commissioner for Refugees.

A minimum of 6,000 metric tonnes of food were needed every week in Bosnia, she said. But the present capacity fell far short of this target, leaving relief workers unable to even begin a programme to prepare for winter.

Hundreds of Serbs and Montenegrins yesterday protested against the withdrawal of the Yugoslav navy from Prevlaka, Croatia's southern Adriatic peninsula, agreed by the presidents of Croatia and the rump Yugoslavia in Geneva last week, writes Laura Silber in Belgrade. Prevlaka is due to become a demilitarised zone monitored by international observers. Protesters said the withdrawal would pave the way for a Croatian offensive on Serb-held regions in southern Bosnia and Montenegro.

Nurses helping wounded Serb fighters in a military field hospital in the village of Velike Njive, near the Bosnian mountain town of Ozren. The area is the scene of continued heavy clashes between Serb and Moslem forces

NEWS IN BRIEF

French economic slowdown

FRANCE'S economic slowdown was yesterday confirmed by a rise in gross domestic product in the second quarter of only 0.1 per cent, compared to 1 per cent in the first three months, writes David Buchan from Paris.

The only bright spot in the April-June picture was provided by the trade balance, which improved because of a drop in imports. The depressing state of the domestic economy was underlined by a 0.2 per cent drop in consumption which had risen by 0.4 per cent in the first quarter, even though salaries and social security payments grew.

Dublin approves job threat fund

The Irish government last night approved an I£50m (£46m) "Market Development Fund" to protect an estimated 30,000 jobs in Ireland's manufacturing industry that have been placed at risk by sterling's devaluation, writes Tim Coone in Dublin.

The fund will be allocated to companies which have a significant share of their exports going to the UK market, or in the domestic or third country markets in which they face competition from UK companies.

Payments will be made at the rate of I£50 per week per employee, and is expected to last until March 1993.

Plan to speed up EC justice

The parliamentary assembly of the Council of Europe adopted a proposal yesterday to make recourse to the European Court of Human Rights quicker, Reuter reports from Strasbourg.

At present, a group or individual taking a case to the Court goes through the European Commission on Human Rights, which weighs whether cases should be referred to the Court and rejects some 90 per cent of them.

The proposal by the parliamentary assembly, which would have to be approved by foreign ministers from the 27 member states of the Council, suggests dropping the Commission so that cases would go direct to the Court and be filtered there.

Italian storms

The death toll in a wave of storms battering Italy rose to nine yesterday as police reported seven more people killed in the past 24 hours, Reuter reports from Rome.

Sofia pays up

Bulgaria made its first $10m (£5.6m) current interest payment on its $10bn commercial bank debt since its former Communist rulers stopped paying interest and principal in 1990, officials said yesterday, Reuter reports from Sofia.

Dutch disaster a grim reminder of risks to insurers

Difficult negotiations are in prospect, writes **Richard Lapper**, over the setting of new rates in a competitive market

THE DEVASTATION of apartment blocks on Amsterdam's Bijlmermeer estate is a grim reminder to aviation insurers of the potential risks to which they are exposed.

It forms a grisly backdrop to the round of negotiations under way between insurers and brokers acting on behalf of the world's airlines, 75 per cent of which renew their insurance programmes in October or November.

Following last week's loss of a Pakistan International Airlines A-300 in Nepal, Sunday's crash of the El Al cargo aircraft is the latest in a series of losses this year that could make 1992 one of the worst ever for aviation insurers.

The hull of the El Al aircraft which pitched into the Bijlmermeer estate was insured for $62m (£34.80m). But the cost of clearing the debris, lost cargo and compensating relatives of victims may increase the overall claim to more than $100m.

Mr John Westcott, underwriter with Wren syndicate 800 at Lloyd's and chairman of the Lloyd's Aviation Underwriters Association, says that the final reckoning might even reach $300m: "Who knows what the liability will end up as. We are certainly looking at $200m."

For 1992 as a whole, London underwriters and brokers say overall claims from hull damage, day-to-day minor accidents and liability awards could exceed $1bn, the highest since 1985. That would put further pressure on insurers to increase premium rates, which, after six years of intense competition, are only about 50 per cent of 1986 levels.

However, world overcapacity continues to depress rates and reduce the scope for increases. Willis Corroon Aerospace, the world's largest aviation insurance broker, says that there remains more than twice the capacity as needed, despite the departure from the market of companies such as Orion, the subsidiary of the Dutch insurance giant, Internationale Nederlanden.

Underwriters at Lloyd's of London imposed rate increases last year of between 100 and 200 per cent, but market leaders have been forced to abandon this year's plans for similar rises. Brokers cite as a reason the threat of further competition from insurers in Europe and the US.

"Over the last 12 months there has been a gradual weakening of the markets' ability to restore profitability," Willis said in a note to clients. "Competitive forces have prevented underwriters from raising rating thresholds."

Insurers renewing policies on the first of October achieved average rate rises of only around 10 per cent. Some European airlines with good safety records, whose business is particularly sought after, escaped without any increases. Two Asian airlines, both of which suffered losses in the previous 12 months, paid increases of between 20 and 40 per cent.

Mr Westcott criticises the attitude of some of his fellow underwriters as "totally irresponsible," saying that "a lot of people are not aware of the disparity between premiums and claims." Many companies, especially outside the London market, had seen aviation insurance as a high-profile loss-leader. Referring to potential losses from liability claims (paid to meet court awards to victims or relatives), he says that many underwriters have "not recognised the full extent of the losses that are in the pipeline."

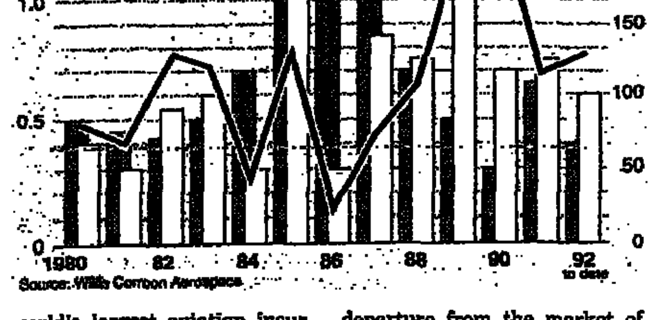
The death toll from aviation accidents has mounted, especially recently, with the casualty list including the more-than-250 people killed in Sunday's disaster, the 167 in the PIA disaster, the 113 in August's Nigerian air crash and the 116 in the crash of a Thai Airways A-310 in July.

The level of court awards is also rising sharply, especially in the US, where insurers expect the average wrongful death to produce a claim of $1.7m. Mr Westcott says that one US air accident victim was recently awarded $25m.

In London, the recent losses will increase the pressure for further rate increases and could lead to tough negotiations for airlines renewing their programmes on the first of November.

"The PIA and El Al disasters are further reminders to people that losses are mounting," Mr Westcott says. "You can't keep selling a two dollar bill for a dollar. Some insurers will be losing an awful lot of money by the time the day of reckoning comes."

Aviation underwriting losses



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NEWS: THE ERM AND MAASTRICHT

Italian lira yo-yos wildly against DM

By Haig Simonian in Milan

THE ITALIAN lira oscillated wildly on the foreign exchanges yesterday following the announcement by trade unions of a four-hour general strike next Tuesday and growing concern about slow parliamentary approval of the 1993 budget.

The lira plunged to 980 against the D-Mark in early trading, before recovering to a L948-L952 range by mid-morning and L930 by early afternoon. Later, the Bank of Italy's indicative rates put the lira at L927, down marginally from L925.49 on Monday.

Dealers admitted the heavy fall had been exaggerated by relatively thin trading. However, they warned that yesterday morning's speculative attack had brought the currency close to the L1,000 level originally proposed by Goldman Sachs, the US investment bank, as a realistic future parity. Earlier this year, forecasts of the L1,000 exchange rate drew sharp criticisms from ministers.

The steady fall in the lira – it has now lost more than a fifth of its value from last month's pre-devaluation levels against the D-Mark – has been attributed largely to speculation at a time of a political vacuum pending parliamentary approval for the budget.

Recent auctions of government bonds have caused concern that the Bank of Italy might have difficulty finding buyers for Italian government debt. "Prices for 10-year government bonds at Monday's auction were so low that investors are growing worried that the central bank may have to step in and monetise the debt, fuelling inflation," said an economist at one leading bank.

However, many domestic observers now believe the lira has "overshot". Mr Claudio Cavazza, a spokesman for the Confindustria employers' federation, thought the currency was now "undervalued". The first step to alleviate the current currency crisis was "to approve the budget.... It's necessary to send a positive signal abroad, because every day which passes costs us very dear", he said.

Economists doubt Italy's European Community partners will accept a fall of more than 20 per cent because of the sharp boost it would give to Italian exports.

Amato sees delay in budget approval

Backlog proves costly, write Andrew Gowers and Robert Graham

THE Italian government says there is little prospect of early parliamentary passage of its 1993 budget despite the crisis of international confidence in the lira and market pressures for quick action.

The 1993 budget, which seeks to raise L93,000bn (£41.6bn) in extra revenues and spending cuts, will take at least until the end of November to pass through both houses of parliament, according to prime minister Giuliano Amato.

Mr Amato said parliament's role had to be respected. He said the process of approving the budget, which was presented to parliament last Thursday, would take "a couple of months".

Both houses of parliament face a huge backlog of decrees and legislation. Although deputies are being pressed to approve the budget as soon as possible, they are insisting parliamentary procedures have to be respected.

The prime minister remained confident the budget would be passed with only minor amendments and appeared ready to see the blame for any delay in approval shift directly to the politicians.

Mr Amato conceded this strategy left his government in a delicate, indeed almost helpless, position to confront speculation against the lira.

Locking Italy into the EMS "with a sound parity for the lira" remained his "preferred" strategy. Indeed, he saw no alternative to ensure international credibility and tackling the country's rapidly deteriorating public finances.

He admitted he had lost "some face" by being forced to devalue the lira. But he said the subsequent fall of the lira in its float since September 17 had reached the point of a competitive devaluation, which was of concern to Italy's commercial partners.

He maintained the current devaluation of over 20 per cent against the D-Mark could be a bargaining card in discussions on Italian re-entry into the EMS. He appeared reassured of support from Germany's Chancellor Helmut Kohl, intimating they had reached some understanding at their summit in Florence on September 17-18.

On the forthcoming Birmingham summit, he thought the exclusion of finance ministers was a positive development since this would lessen the prospect of the meeting becoming a hostage to the expectations of the markets. He was cautious about the outcome, but said he was encouraged by the "pro-European intentions of John Major" set out in letters sent last week to European leaders.

Amato: almost helpless in face of currency speculation

Mr Amato recognised that ERM re-entry was most unlikely before the budget had been approved.

He added that budget approval was a precondition for a major policy decision on whether Italy would issue Ecu-denominated bonds or bonds indexed to a central parity against the D-Mark. Such a step would save on interest charges. It would also mean that the government would assume the foreign exchange risk that foreign investors in Italian paper would otherwise have to accept. The idea was announced last week and is another attempt to retain the credibility of Italian paper.

Mr Amato confirmed last week had seen a "significant" run on the banks, mainly in Rome, when rumours swept the capital of government plans to impose capital controls. He was scornful of the example set by Italy's senators, seen queueing to withdraw their deposits from the bank inside the parliament building.

He was adamant Italy was not considering imposing foreign exchange controls, saying such a step would be "crazy" and would only drive investors and savers away from Italian debt paper, which still needed to be renewed and rolled over.

More than ever Mr Amato appeared to have few illusions about the durability of his three-month-old four party coalition government, whose strength lies in the lack of alternatives – either from the discredited and divided political parties or in terms of the direction of economic policy.

Peseta reacts well to easing of controls

By Tom Burns in Madrid

THE PESETA yesterday remained above its Exchange Rate Mechanism (ERM) floor against the D-Mark 24 hours after the Bank of Spain eased exchange controls to reassure worried currency markets.

The currency held at Pta71.40 to the D-Mark, above its Pta72.6 ERM floor and virtually unchanged from its Monday close.But there was continued market scepticism about the currency's value.

Residents were once more allowed to conduct commercial operations on the forward peseta market and there were no new restrictions on the spot market.

Mr Pedro Perez, secretary of state for the economy, said an interest rate rise was "not on the government's agenda for the moment," and that a devaluation of the peseta "should not necessarily take place".

There has been intense lobbying by Madrid for a general realignment of the ERM, with a lower peseta parity.

Spain hasmaintained penalties on peseta loans through foreign exchange markets.

Germany seeks curb on Brussels

By Lionel Barber in Luxembourg

GERMANY is pressing for sweeping change in the balance of power in EC institutions which would rein back the Commission and devolve far greater responsibilities to member states in virtually all areas of Community activity.

Its proposals – contained in a confidential paper circulated to EC foreign ministers this week – have alarmed states such as Ireland and Spain, which look to the Commission to protect their interests.

Germany's emergence as the standard-bearer of subsidiarity – whereby the EC defers to members states in matters which can be better handled at national, regional or local level – has injected a fresh complication into UK efforts to reach broad agreement among the Twelve before the Birmingham summit on October 16, or a clear consensus at the Edinburgh summit in December.

Reaching an agreement on subsidiarity is viewed as a vital ingredient for selling the Maastricht treaty on European political and monetary union to a sceptical European public, and resolving the "Danish question" caused by Denmark's rejection of the treaty.

Although the British support Germany's hardline stand in principle, there are fears that Bonn's enthusiasm for reducing the Commission's power may be going too far, too quickly.

The German paper suggests that subsidiarity should apply to social, education, cultural and health policy, where "measures at the level of the member states are sufficient."

It also suggests assessing "whether measures at national, [including EC] level are at all necessary", a demand which some EC countries fear could mark the start of an attack on the EC's powers in the area of competition policy and regional aid.

According to the German paper, "the federal government deems it imperative that in each individual – ie for each separate action – the EC's institutions be required to demonstrate that the criteria for the subsidiarity principle are actually met".

In addition, Mr Klaus Kinkel, German foreign minister, told his EC partners this week in Luxembourg that Bonn wanted the right to "screen" all EC proposals before they became legislative drafts. This demand was opposed by smaller states which fear it could lead to countries opting out of legislation they object to.

The paper also contains a plea for more responsibilities for the German Länder.

Mr Douglas Hurd, British foreign secretary, said this week that the Twelve should agree on new working procedures to apply subsidiarity, new criteria, and fresh examples of subsidiarity at work – either through scrapping old legislation or shelving new proposals. In fact, both the Commission and the Council have found it difficult to pinpoint examples which all EC members can agree on.

DENMARK'S prime minister, Mr Poul Schlüter, yesterday called for a more open and democratic European Community so that Danes could reverse their No to the Maastricht treaty, Reuter reports from Copenhagen.

"The subsidiarity principle.... should be established as the EC's fundamental law," he told parliament.

"European co-operation should be characterised by the very opposite of centralism, by something completely different than 'the United States of Europe' which some people are talking about. It is quite clear that the Maastricht treaty... cannot take effect without a common solution which takes Denmark's No on June 2 into consideration."

The outlines of the solution should be clear in time for the EC summit in December.

Bonn urged to clarify unification financing

GERMANY needs to clarify its financing of unification to help strengthen European monetary co-operation, Mr Henning Christophersen, EC finance commissioner, said yesterday, Reuter reports from Stockholm.

"A stronger monetary co-operation... demands that countries increase the credibility in their economies," he said at a satellite-linked Community seminar in Sweden.

Italy, Britain and Spain were included in the group of countries needing to bolster credibility... "but also Germany, which has an unclear situation about the financing of reunification," he said.

Germany's reliance on debt to finance unification has been blamed by some economists and politicians for forcing German interest rates higher and pushing the Exchange Rate Mechanism close to collapse.

Lady Thatcher, former British prime minister, told a gathering of businessmen in Madrid on Monday that the D-Mark was no longer a good anchor for the ERM and that Germany had exported high rates to the rest of the Community.

However, Mr Hans Tietmeyer, vice-president of the Bundesbank, denied that its high interest rates were solely to blame for turmoil within European money markets and said economic divergences among EC countries were the fundamental cause.

He argued that a strong D-Mark had to remain the anchor of the EMS, and any attempt to soften the system's parameters or to relax the commitment to stability at its heart would be counter-productive.

Tax filibuster delays recess for Congress

By Ken Warn in Washington

THE US Congress was yesterday struggling to tie up legislative loose ends before going into recess ahead of next month's election.

After delivering a stinging rebuke to President George Bush on Monday night by overriding his veto of legislation to re-regulate the cable television industry, the Senate timetable was derailed by a lengthy filibuster of a $27bn tax and urban aid bill.

The bill, which proposes the creation of 59 new enterprise zones and a package of individual and corporate tax breaks, was held up in a one-man "talkathon" by New York Republican Senator Alfonse D'Amato, seeking to add to the bill protection for workers faced with job losses in his home state.

"I'm just getting my second wind," the senator declared to an almost deserted Senate yesterday morning after holding the floor virtually throughout the night. After trying to delay the adjournment until he got his way, Mr D'Amato unexpectedly withdrew yesterday afternoon.

Earlier, both houses had voted by the more than two-thirds majorities required to overturn Mr Bush's veto of the cable legislation, which allows the Federal Communications Commission to set "reasonable" rates for basic cable services.

Mr Bush said yesterday the override, the first of his presidency after 35 successful vetoes, was a result of the television networks ganging up against the cable industry. He maintained his veto would have kept cable costs down.

Asked if the defeat would hurt Mr Bush's chances of re-election, his Democratic rival Governor Bill Clinton replied: "It won't do him any good."

It was unclear yesterday if Mr Bush would seek to veto the tax bill. While Mr Bush approves of many of its provisions, he is unhappy with technical changes, such as increased payments required of those individuals and corporations who file quarterly estimated tax payments, which could be construed as tax increases.

The delay to the bill also held up Senate consideration of a House-Senate compromise bill aimed at encouraging the use of alternative fuels and boosting energy conservation.

On Monday both houses gave final approval to a $14bn foreign aid bill, which includes $10bn in loan guarantees for Israel and $417m in aid for the former Soviet republics. The bill also provided a $12.3bn increase in the US quota for the International Monetary Fund.

Also approved was a $274bn defence spending bill, cutting Mr Bush's expenditure request of $5.4bn for "Star Wars" anti-missile defence research to $3.8bn.

But it gives Mr Bush the $4bn requested to build 20 B-2 stealth bombers and cuts no major weapons, although it sets the stage for warplane cuts next year.

Battling against the tide: President George Bush greets supporters in Dover, Delaware, but voters across the country are rejecting his electoral message

Mexican governor resigns

By Damian Fraser in Mexico City

MEXICO'S ruling party governor from the state of Michoacan has resigned, almost certainly ending three months of opposition marches and protests which followed his controversial election in July.

The resignation – formally a leave of absence for one year – comes as a blow to President Carlos Salinas and the ruling Institutional Revolutionary party. Both had invested considerable energy and authority in supporting the governor, Mr Eduardo Villasenor, and had appeared to have ruled out his resignation.

Michoacan is the stronghold of the leftist Party of Democratic Revolution (PRD), whose president, Mr Cuauhtemoc Cardenas, was the former state governor. Its candidate, Mr Cristobal Arias, lost the election by 16 percentage points, in a process marred by a considerable disparity in resources between the ruling and opposition parties.

This is only the second time the leftist PRD has been able to force a governor to quit. The resignation was probably negotiated in private by the political parties and may be a tentative sign of a dialogue between Mr Salinas and Mr Cardenas. The government was expected to propose an interim governor from its own party late yesterday.

A party official said Mr Villasenor resigned because the state had become ungovernable. The PRD had taken over the central square, a majority of the state towns, and forced Mr Villasenor to govern from a temporary residence.

It is the fifth forced resignation of a governor in little more than a year, three of which followed opposition protests against alleged electoral fraud. While such resignations have been trumpeted as signs of Mexico's uneasy transition to a more pluralistic government, they have done little to restore confidence in Mexico's democratic institutions.

Clinton calls for special prosecutor

BNL loans case judge criticises White House

By Alan Friedman in New York

THE judge presiding over the case of $5bn (£2.80bn) of illegal Iraqi loans made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL) has made a blistering attack on the Bush administration's handling of the scandal, accusing officials of interfering in the prosecution.

Judge Marvin Shoob, in an unusual judicial ruling that sets the stage for a full trial of Mr Christopher Drogoul, the former BNL Atlanta manager, said there were "grave questions as to how the prosecutors made their decisions in this case".

The judge's order came after prosecutors last week stopped a hearing aimed at sentencing Mr Drogoul and agreed he should be allowed to change his plea from guilty to innocent.

"It is apparent that decisions were made at the top levels of the United States Justice Department, State Department, *Agriculture Department* and within the intelligence community to shape this case and that information may have been withheld from local prosecutors seeking to investigate the case," the judge wrote in a court order released yesterday.

Judge Shoob, who disqualified himself from further handling of the case because he had formed opinions, also called for the formal BNL trial to be postponed to allow a special prosecutor to be named. He said the refusal last summer by Mr William Barr, the *attorney-general*, to name an independent prosecutor "itself raises concerns for the court about the government's impartiality in handling this case".

The judge said a special prosecutor needed to obtain the facts rather than continue to accept the administration's claim that *Mr Drogoul was the sole orchestrator* of the Iraqi loans. This premise was dismissed by the judge as a way "to avoid embarrassing a foreign government or to contain criticism of a failed foreign policy".

Separately, in his first comment on the case, Mr Bill Clinton said on national television that a special prosecutor should investigate the administration's dealings with Iraq before the August 1990 invasion of Kuwait.

Judge Shoob concluded in his ruling that officials at BNL's head office in Rome "were aware of and approved Mr Drogoul's activities" on behalf of Iraq.

He also said "it is likely that the United States intelligence agencies were aware of BNL-Atlanta's relationship with Iraq".

He added that Washington stopped US investigators from conducting a serious investigation of the BNL head office's involvement in the scandal, *which he said was* "coupled with or provoked by the involvement of other departments of the US government" in the scandal.

NEWS IN BRIEF

US drugs pioneer dies

MR Ernest Volwiler, a former Abbott Laboratories president who helped develop "truth serum" and the sleep-inducing drug Nembutal, has died aged 99, AP reports from Chicago.

Mr Volwiler was hired by Abbott in 1917. He was the north Chicago company's chief chemist from 1920 to 1930, its president from 1950 to 1958 and chairman from 1958 to 1959.

In 1930 he and another chemist developed Nembutal, a barbiturate that could induce sleep within 20 minutes with little or no side-effects. The chemists also developed sodium pentothal, or truth serum, in 1936.

Protest in Philadelphia

Up to 15,000 Philadelphia city employees staged a walk out protest yesterday, two weeks after the mayor imposed a new cost-cutting contract, AP reports from Philadelphia.

The dispute, which the unions called a lockout and the city called a strike, affected rubbish collectors, water and sewage workers, City Hall clerks, inspectors, social workers, emergency line operators and others.

Police, firefighters, prison guards, transit workers and schools were not affected.

Union leaders said the city was demanding unreasonable concessions while the mayor said it needed the concessions to close a deficit.

Tornado death toll mounts

The death toll from tornadoes that hit the Tampa Bay area rose to four with the discovery of a body in a demolished trailer park, and officials estimated property losses at a minimum of $32m, AP reports from Pinellas Park, Florida.

Election violence in Guyana leaves two dead

By Canute James in Georgetown, Guyana

ARMED soldiers and policemen patrolled sections of Georgetown, Guyana's capital, *yesterday following rioting* and looting as votes cast in Monday's presidential election were being counted.

Two people were killed and almost 200 arrested in the violence which began when supporters of the ruling People's National Congress (PNC) party attacked the offices of the independent Elections Commission, claiming they were being prevented from voting.

The commission's offices were damaged, and mobs then fanned out to other parts of the city and began looting. An attempted *attack on the* headquarters of the opposition People's Progressive party (PPP) was thwarted when the building was cordoned off by police.

Mr Desmond Hoyte, the president, said he "empathised" with the complaints of his supporters but he did *not* condone the violence. He then called out the army to support the police.

Initial returns yesterday indicated a close race between Mr Hoyte's PNC and the PPP, led by Dr Cheddi Jagan.

Mr Hoyte has campaigned on a platform of continued deregulation of the state-controlled economy. Dr Jagan is promising to reduce the pace of deregulation but says he is also keen to encourage foreign investment.

The country's racial mix is a significant factor in the politics of the English-speaking republic of 900,000 people. The PNC is generally supported by Afro-Guyanese, while the majority Indo-Guyanese have tended to favour the PPP.

The violence has cast doubt on the completion of what is widely held to be the country's *first fair elections in 30 years*.

Teams of foreign observers led by Mr Jimmy Carter, the former US president, and Mr David Peterson, former premier of Ontario province, Canada, are monitoring the elections and have said any fraud would be detected. "I will not be hesistant to condemn the election if it is fraudulent," Mr Carter said.

Prison chief suspended after rioting in Brazil

THE superintendent of the São Paulo prison where at least 111 inmates died in clashes with military police last Friday has been suspended, along with officers commanding the operation, writes Christina Lamb in Rio de Janeiro.

Several official inquiries have been mounted into the deaths, which Mr José Roberto Batochio, president of the São Paulo Bar Association, has called a "cold-blooded massacre by police". Representatives from various international human rights organisations and the UN were flying into São Paulo yesterday to investigate the incident.

A final death list has still not been published. Mr Mauricio Correa, Brazil's new justice minister, says he has *information* that more than 200 prisoners were killed in the police action to put down clashes between rival gangs in a maximum security block.

Ms Nancy Cartia, co-ordinator of the São Paulo university centre of studies on violence, says: "If exemplary punishment is not meted out this time *they* will know they can get away with anything."

Markets face rash of new issues from Latin America

By Stephen Fidler, Latin America Editor

INTERNATIONAL financial markets will face severe difficulties absorbing prospective new issues of debt and equity planned by Latin American entities, a Financial Times conference was told yesterday.

Mr Stephen Dizard, head of trading in Salomon Brothers' emerging markets department in *New York, estimated that* $20bn (£11.2bn) of new bond issues were being lined up for issuance over the next 12 months, with about $4bn due to come to market in the 10 business weeks before the end of the year.

He doubted such a volume *could be accommodated in this* time, which would then push this year's new issue calendar into 1993. He also said the desire by some issuers, including banks, to bring riskier new structures to the market was likely to be disappointed in the short term. Such structures included attempts to bring convertible bond issues to market and subordinated debt to boost capital.

He said the market in Latin American bonds was undergoing a transition, under which big institutional investors could play a more important part. So far the market has been dominated by speculators and individual buyers.

The conference on Latin American Capital Markets was overshadowed by the recent instability in financial markets in the industrialised world.

FT LATIN AMERICAN CAPITAL MARKETS

This was viewed as discouraging investors from looking into *the supposedly* riskier emerging markets in Latin America and elsewhere.

Several speakers said the unreliability of international capital markets underlined the urgent importance of developing domestic capital markets in the region and the need for pension fund reform, which would help achieve this end.

Ms Jane Moncreiff, head of emerging markets for J P Morgan in London, noted that most new Latin American issues in the international equity market were trading below their issue price as a result of market falls. The Argentine stock market has fallen 52 per cent from its highs earlier in the year and the market in Brazil is down 30 per cent.

She and other speakers said that, in view of the tendency for issuers of equity and debt to attempt to raise money at the same time, Latin American governments should consider introducing a queueing system for would-be issuers.

Mr Lincoln Rathnam, managing director of the fund managers Scudder, Stevens & Clark, said he believed that Latin *debt markets* constituted a "far surer play" than the Latin equity markets as the outlook for equity investment in Latin America was so uncertain.

EC aims for Gatt deal by end of year

By Lionel Barber in Luxembourg and David Dodwell in London

JOLTED by a German appeal for a breakthrough on Gatt's Uruguay Round trade talks, EC foreign and trade ministers yesterday agreed to make a determined bid to reach a comprehensive deal by the end of the year.

US and EC trade negotiators plan to hold detailed discussions later this week on the farm trade dispute that has for two years blocked progress on the Uruguay Round. This would prepare the ground for ministerial talks in Brussels on Sunday and Monday. EC ministers hope this will provide an outline deal that can be endorsed by EC heads of government at the Birmingham summit on October 16.

Evidence that significant progress was being made towards a US-EC deal on reducing subsidised farm trade also came yesterday from Washington, where farm trade lobbyists were voicing alarm that the Bush administration was poised to make concessions aimed at finalising a Uruguay Round agreement.

A US-EC stand-off on reform of the EC's farm subsidy regime has blocked progress on the Uruguay Round for two years. Other critical areas of dispute, including services trade and tariff reductions, can only be tackled when the farm issue is resolved.

At yesterday's meeting of EC foreign and trade ministers in Luxembourg, Mr Jürgen Möllemann, Germany's economics minister, said a Gatt agreement was vital to avoid further chaos in the financial markets and political instability in Europe.

Mr Möllemann criticised the EC for failing to overcome political divisions, especially now the Bush administration was interested in reaching a deal. "We have arrived at the moment of truth. If there is no Gatt, we will be pushed further into crises."

Meanwhile in Brussels, EC officials emphasised that failure to settle the US-EC farm trade dispute would make it virtually impossible to contain a long-standing row over trade in oilseeds.

This centres on US claims for compensation of an estimated \$2bn (£1bn) for producers affected by EC subsidies that have twice been condemned by Gatt dispute panels. The EC has offered compensation of no more than \$400m. Settlement of the oilseed dispute will also be a high priority in Brussels this weekend.

Just to illustrate that EC member states are anything but united in their attitudes to Sunday's meetings, Mr Jean-Pierre Soisson, France's new farm minister, said in Paris that President François Mitterrand was urging Chancellor Helmut Kohl of Germany to resist US pressure to speed the trade talks ahead of US elections. "France is in a solitary position," Mr Soisson said. "That is why President Mitterrand is having contacts with Mr Kohl to loosen the stranglehold."

Next Sunday's talks involve Mr Frans Andriessen, EC external affairs commissioner, Mrs Carla Hills, US trade representative, Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US agriculture secretary. The aim is to exploit what EC officials regard as a "final window of opportunity" to settle the Uruguay Round – between the French referendum on Maastricht, and the US presidential election on November 3.

Mr Tristan Garel-Jones, a British Foreign Office minister, said a "narrow window" of opportunity for a Gatt deal existed ahead of the election. "Let us not let it slip from our grasp," he added, noting that President Bush had clearly signalled his interest in reaching an agreement.

● The ministers called a separate row over US action against EC steel producers "wholly unjustified" and reserved the right to refer it to Gatt.

An EC official said yesterday's meeting in Luxembourg was aimed at sending a "political signal" it remained committed to a Gatt deal, within the existing mandate.

Egyptians warned on trade plans

By Frances Williams in Geneva

EGYPT's programme of trade liberalisation and economic reform could be torpedoed by domestic opposition if not supported by a successful Uruguay Round and an effective multilateral trading system, a Gatt report on its trade policies and practices says.

Gatt praises Egypt's economic reform programme, introduced in 1990 to push the economy towards market-based export-oriented development. But it warns this could be imperilled by interest groups which have created uncertainty about its success. The reforms are independent of the Uruguay Round's outcome, but "pressure from such groups may become more difficult to resist if the multilateral trading system is not seen to be working effectively".

Gatt's governing council welcomed Egypt's will to press on with its policies, though high tariffs were criticised. A speedy end to the Round would improve access to developed markets for Egypt's textiles and farm goods.

Mexican glee at Clinton's Nafta stance

Salinas believes the cloud over the free trade pact has been lifted, says **Damien Fraser**

NAFTA

IF THERE is an unusual flourish today in the signature of Mexican President Carlos Salinas as he initials the North American Free Trade Agreement (Nafta) in San Antonio, Texas, do not be surprised: he and his government again appear convinced passage of the pact is inevitable.

The optimism has nothing to do with the high-profile initialling, into which Mr Salinas and Canada's Prime Minister Brian Mulroney have been dragged in an effort to boost US President George Bush's flagging election chances.

The cause for celebration is the decision by Governor Bill Clinton, the front-running challenger to Mr Bush, broadly to endorse the agreement and not demand its re-negotiation if he is elected president.

While Mr Clinton, the Democratic candidate, has said that an acceptable agreement should toughen Mexico's environmental and labour standards, he has also said this could be achieved through parallel accords.

The treaty itself could stay intact. Mr Clinton recently made three flattering references to Mexico, including the statement that he had never known in Mexico a leadership as good as President Salinas's. "The three references by Mr Clinton show the great affinity between him and the Mexican government," a Mexican official said. "We do not believe there will be a great change of attitude in the US [to Mexico] if Clinton wins the election."

President Salinas can barely conceal his glee at the prospect of four more years of excellent US-Mexican relations, a key not just to Nafta, but to investor confidence in Mexico.

On Monday, he told a group of treaty advisers: "It appears to me important that Governor Clinton has pronounced in favour of Nafta, which shows his interest in an economic relationship between the US and Mexico that will benefit both nations.


BUSH

"Now it can be confirmed the two most important political forces of the US agree in the convenience of having the treaty."

The official said there should be no difficulty reaching the necessary parallel accords with Mr Clinton: "The government [of Mexico] shares the worries over the environment that Clinton has. I have the impression that many of the worries are addressed in the treaty, but there is a disposition to reach new parallel accords with the US, with or without the treaty."


MULRONEY

Mr Bush's campaign managers, in an effort to keep up pressure on the challenger, have said that Mr Clinton can either be for or against the treaty, but cannot be on both sides. The Mexican government evidently feels differently.

The Mexican official reckons that the Clinton endorsement does not just remove an "obstacle" but, "even more, with this signal, makes the ratification more likely" in the US Congress. Mr Richard Gephardt, majority leader in the House of Representatives, supports Mr Clinton's remarks, backing away from earlier demands that the treaty be re-negotiated.

Mexico's stock market seemed to share the government's initial enthusiasm, rising by 4.65 per cent on Monday, the largest one-day gain this year. Mr Felix Bonni, head of research of the brokerage Interacciones, says: "My position has always been that Clinton is better for Mexico than Bush. The chances of passing Nafta in the Congress are greater, while economic growth in the US will be higher." Such comments, heretical a few weeks ago, are now almost conventional wisdom.

Mr Salinas had been savagely attacked in the independent Mexican press for throwing all his eggs into Mr Bush's basket and acceding to his every wish. Many prophesied doom for Mr Salinas and Mexico were Mr Bush to lose.

Mr Adolfo Aguilar, a columnist and academic, captured the spirit of the criticism when he wrote in El Financiero a week ago that "the presidential victory of the Democrats will bring about changes in three fundamental aspects.

"First, there will be the adverse and possibly devastating psychological impact on investors and savers who depend of the financial stability of the Salinas plan; second, now explicit, will be the reopening of the renegotiation of Nafta...and, third, a foreseeable revision of the complacent attitude of the government of the US with respect to the abuses of political power, human rights, electoral fraud, and lack of democracy in Mexico."

Some of this is still likely to happen and will depend greatly on who would run Mexican policy from a Clinton White House. Ms Cathryn Thorup, director of studies for the Mexican-US programme at San Diego University, says, "The agenda for the relationship under the Democrats is likely to be different and broader. A Democratic president would likely pay more attention to immigration, human rights and democracy. George Bush would continue emphasising economic integration."


SALINAS

Mr Clinton might take his time asking Congress to sign the treaty, or make impossibly difficult demands on the Mexicans to change environmental and labour provisions. He may press Mexico to "perfect" its democracy faster than it would like. But he is unlikely, say analysts, to upset radically the excellent relations established by Mr Bush.

Japan greets Bush call

JAPAN has welcomed a letter from President Bush urging a quick settlement of the Gatt talks, though Tokyo has no plans for new concessions to speed a settlement, Robert Thomson writes from Tokyo.

Premier Kiichi Miyazawa has written to assure Mr Bush Japan is dedicated to resolving the Uruguay Round. Japanese trade negotiators said Mr Bush's letter showed the US administration had been not been completely distracted from the Round by the presidential election. But Tokyo fears divisions in the EC will delay accord on farm trade.

Japan is building an international campaign against anti-dumping actions, having selected an EC case against Japanese cassette tape makers as an example of how these actions can be used to limit competition and hurt consumer interests.

Brussels to extend multi-fibre pact

By Lionel Barber

THE EC has decided to extend the Multi-Fibre Arrangement covering international textile trade and renew MFA pacts with certain third countries. EC foreign and trade ministers approved the move in Luxembourg yesterday, despite opposition by France, wanting more protection for European textile industries.

Asian countries are likely to be disappointed that the new EC mandate, dependent on a successful Gatt accord, is not more generous on extending access to European markets. Linked to this tough stand, EC ministers opened talks on plans to give the European Commission more power to push through "commercial defence measures" covering anti-dumping duties, quotas and safeguard clauses in the European single market.

Yesterday's meeting marked the start of the "trade weapons" debate which could see sharp splits between traditional free traders such as the UK and Germany, and Spain and Italy which fear free circulation of goods after 1992 might weaken EC trade policy.

Another debate centred on the EC's proposals for reforming its banana import regime in time for the 1992 single market. Member states are divided how best to reconcile the EC's treaty obligation to support favoured suppliers from the Caribbean, while not discriminating against "dollar" banana producers from Latin America.

A Commission plan to propose an EC-wide quota on banana imports from central America risks violating Gatt procedures. Mr Tristan Garel-Jones, a British Foreign Office minister, said he hoped for agreement before the end of Britain's presidency this year, but issues were complex. "There is no such thing as a straight banana."

● Ministers agreed to offer modest concessions on liberalising trade in farm products with Romania and Bulgaria.

EC-Polish car quota row delays venture by Fiat

A DISPUTE between Warsaw and the EC over allocation of a Polish 30,000 vehicle duty-free import quota is delaying the planned takeover of Poland's FSM car factory by Fiat Auto of Italy, Christopher Bobinski reports from Warsaw.

Talks on sharing out the quota have gone on all year: the Poles hope today's visit to the European Commission by Premier Hanna Suchocka will solve the problem. Fiat is refusing to make a final commitment to the \$2bn (£1bn) FSM project until it knows how many cars it can import into Poland without paying a 35 per cent tariff.

The quota is worth Ecu 100m to western European manufacturers lobbying for duty-free access, which the Poles originally wanted to restrict to Fiat, GM Europe and Volkswagen.

US accuses Unita rebels of violating deal

By Julian Ozanne in Luanda

TENSION mounted yesterday between the US and Unita, the Angolan rebel movement, as the group continued to threaten to derail the country's peace process after suffering defeat in its first democratic elections.

The US yesterday accused the movement, previously supported by the US and South Africa, of violating the country's superpower-brokered peace accords after saying it was withdrawing its forces from the new unified army to protest at alleged electoral fraud.

Mr Herman Cohen, US assistant secretary of state for African affairs, criticised Unita's decision to pull out of the integrated Angolan Armed Forces (FAA). "This is an unfortunate step which is not in accord with the spirit or letter of the Angola peace accords [signed in May 1991 in Portugal]," he said.

Senior officials of Unita, which received about $400m of assistance from Washington to fight battle against the former communist MPLA government during the cold war, dismissed Mr Cohen's statement and warned him not to interfere.

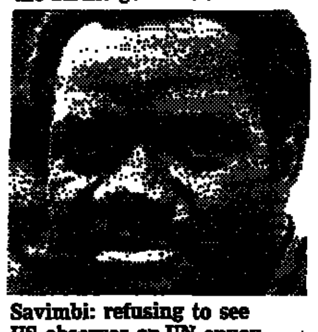
In Lisbon, the Portuguese government said it considered " unacceptable the taking of any position which attempts to alter the situation arising from implementation of the peace agreements by force or any other inappropriate pressure".

Unita's withdrawal from the FAA, combined with its increasingly aggressive rhetoric and its disregard for international opinion, raised the prospect of plunging the vast country back into instability.

Western diplomats said they were frustrated by Unita's failure to stay within the carefully constructed peace process and concerned that Mr Jonas Savimbi, Unita's mercurial leader, was refusing to see foreigners including the US observer and the special representative of the UN secretary-general.

A statement issued at midnight on Monday by Gen Arlindo ing Chenda Pena, joint commander of the FAA, said Unita felt betrayed by the government and was quitting the force until three conditions were met: a review or cancellation of the electoral process, a ban on the National Electoral Commission issuing further results and consideration of "intimidation" during polling by the anti-riot police.

"We are ready to return to FAA as soon as serious negotiations are undertaken between the MPLA government and the



Savimbi: refusing to see US observer or UN envoy

Unita leadership with all the genuine opposition leading to a solution of the present national crisis," Gen Pena said.

The National Electoral Commission (NEC), in an attempt at conciliation, said yesterday it would not issue final results until tomorrow. However, official returns from 85 per cent of the vote already show President Jose Eduardo dos Santos leading Mr Savimbi by 50.8 per cent to 39.4 per cent.

Emergency meetings of the Joint Political-Military Commission, the UN and NEC were under way yesterday and Mr Jeffrey Millington, US observer, said he still hoped Unita could be brought back into the process.

The NEC said that Unita had not yet presented any real or coherent evidence of electoral fraud. Hundreds of international observers have already said the elections were free and fair, despite a few isolated incidents of malpractice.

Asian success encounters growing pains

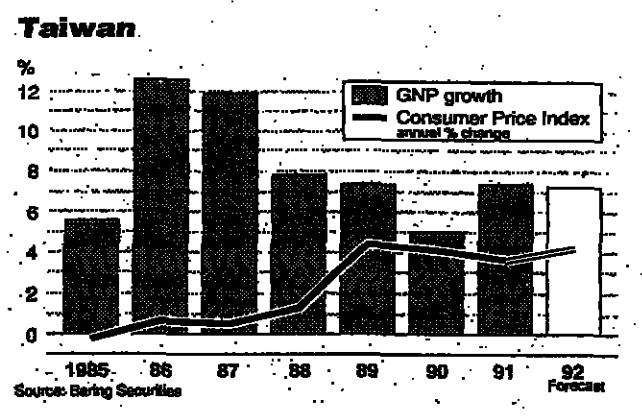
As its economy matures, Taiwan must switch from low-cost to high-tech industry, says Angus Foster

A DECADE of growth at more than 8 per cent a year turned Taiwan into one of the richest places in Asia. Helped by rising trade surpluses, the island's central bank has accumulated foreign exchange reserves of $88bn, the largest in the world. And, this year, despite the world recession, growth is likely to reach 7 per cent and unemployment remain below 2 per cent.

However, growing wealth has led to new problems.

As the economy has matured, the pillars which supported rapid industrial growth have been undermined. Strong, centralised government has had to make way to popular calls for more democracy. Once low-cost manufacturing is no longer competitive. And budgetary restraint has been overlooked as the island embarks on a $306bn six-year National Development plan to improve its infrastructure and quality of life. There is a consensus that these policy changes were needed, but their implementation will decide whether Taiwan can successfully move to the next stage of industrial development.

Political reform, instigated by President Lee Teng-hui since 1987, has so far been relatively smooth. In December Taiwan holds its first fully representative election for the Legislative Yuan, or parliament. The ruling Kuomintang party (KMT) is expected to defeat the poorly organised Democratic Progressive Party. KMT control of the media, Taiwan's rising wages, low unemployment and a generally egalitarian education system have helped stability.



But the greatest test for Taiwan lies in upgrading its industry. Since the late 1980s rising land costs and annual wage increases of 10 per cent, combined with a 50 per cent appreciation of the New Taiwanese dollar against its US counterpart between 1986 and 1989, have undermined profits for capital intensive industries and forced many low cost manufacturers overseas or out of business.

Heavy industrial output fell from double to single digit growth from 1988 and was almost flat in 1990. Light industrial output fell for three successive years, before recovering in 1991. According to government figures, manufacturing profit margins fell to below 4 per cent in 1989. Declining profitability seems to have contributed to an 8 per cent fall in private investment in 1990.

Export growth was also constrained, but has risen again since last year as exchange rates stabilised. But imports have grown even faster, fuelled by consumer demand and machinery purchases for infrastructure spending.

Worried by these trends, the government has been urging companies to upgrade technology, invest in automation, research and design. In strategic industries like aerospace, it has been willing to help finance acquisitions of advanced foreign technology.

Most of these initiatives have been inserted into the government's six-year National Development plan, launched last year. The plan's budget will largely be spent on infrastructure projects, such as transport, energy and environmental improvements, which were neglected during the 1980s. Although the plan is widely criticised for being poorly researched and leading to inflation, set to rise to 4-5 per cent, it will guarantee growth.

Mr Jiang Ping-kun, vice minister of economics, said: "Taiwan depends on industrial development. We have to upgrade from relying on labour intensive industries to high-tech, and that needs investment both by the government and the private sector.

Results have been mixed so far, although some of the measures have only just taken effect. The government claims this year's increase in exports shows companies are becoming more competitive.

But critics argue that the rise in exports is temporary and manufacturers will again face squeezed margins if, as expected, the currency continues to appreciate next year.

Companies being asked to upgrade have one good reason, and one good excuse, not to do so. The good reason is China. By moving across the Taiwan Straits, light industrial companies, which still account for more than 40 per cent of exports, can take advantage of the low wages and land prices they used to enjoy in Taiwan.

Restrictions on investing in China started to ease in 1987. Since then Taiwanese companies are estimated to have invested at least $3bn in the mainland, and anecdotal evidence suggests the trend is rising. However, there are no precise figures because companies hide their identities for political reasons.

Taiwan's trade with China through Hong Kong has grown rapidly since 1987 and increased 34 per cent to more than $4bn for the first seven months of the year. If other indirect trade and smuggling is included, total trade could near $10bn this year. Exports from Taiwan are mostly destined for processing in new Taiwanese factories on the mainland.

The good excuse is that most Taiwan companies are small, and often family run, so lack resources to upgrade technology. Nearly 70 per cent of the island's manufacturing companies employ less than 20 people. Taiwan has 352 pharmaceutical and medical equipment companies, for example, but less than 30 have capital bases of $4m or more. Growth through acquisition is difficult because owners are unwilling to sell family businesses.

France offers African debt relief package

FRANCE yesterday levelled sharp criticism at the International Monetary Fund (IMF) and the World Bank when it announced a big debt relief package for four African countries, Reuter reports from Libreville.

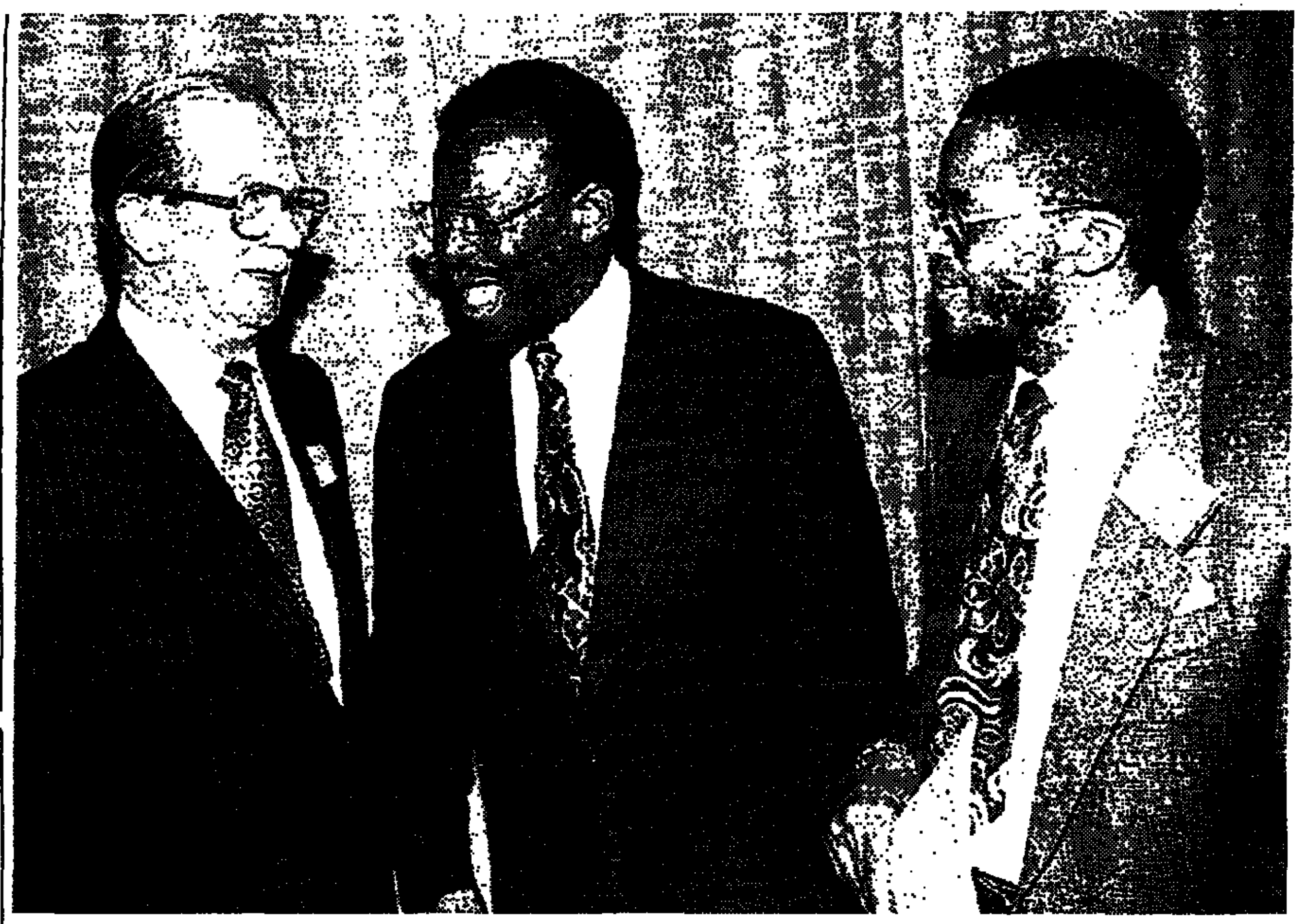
Prime Minister Pierre Beregovoy told 14 heads of state at the Franco-African summit in Gabon that France remained "a militant advocate" for the troubled continent.

"You are not alone. France is at your side," he said, giving details of the French initiative which officials said would help Gabon, Ivory Coast, Cameroon and Congo. These middle-income but heavily indebted countries have not benefited from past measures on behalf of the poorest African states.

Mr Beregovoy, standing in for convalescent President François Mitterrand, said France would create a debt conversion fund of FFr4bn (£500m) by the end of 1992.

A French official said the fund would partly be financed by debt repayments from the four countries which would then be recycled into development projects. "The main objective is to get them (the Africans) to manage their affairs more rigorously," he said.

Mr Beregovoy called on other industrial countries to match France's aid to Africa and said the IMF and World Bank were not doing enough for the continent. Africa's annual payments to these institutions were greater than what it received from them.



United by division: pro-apartheid Andries Treunicht (left), yesterday greets Chief Buthelezi (centre) and Ciskei leader Oupa Gqoza

Chief Buthelezi threatens secession

By Patti Waldmeir in Johannesburg

CHIEF Mangosuthu Buthelezi, leader of South Africa's KwaZulu black "homeland", yesterday threatened to secede from South Africa, further raising the political temperature following his decision last week to pull out of talks on a post-apartheid constitution.

In a speech at a meeting with two other homeland leaders and ultra-right wing white political leaders .
Chief Buthelezi stressed that secession would be what he called "the ultimate extremity of political action". But he added that such an extreme action might be "foisted" on him if negotiations failed.

His threat adds to the tension caused by the renewed crisis in negotiations, with the Zulu leader issuing increasingly heated attacks on the African National Congress (ANC) and the government, which he accuses of reaching unilateral agreements, ignoring the wishes of other parties to the negotiations. Yesterday's meeting was called to discuss this complaint.

Chief Buthelezi and Mr Lucas Mangope, leader of the Bophuthatswana homeland, both said they might pull out of negotiations permanently unless they and other leaders were given more say.

Mr Mangope has made clear in the past that he prefers to remain outside a post-apartheid South Africa, and would consider re-incorporation only if the new South Africa is a federal state with very strong regional governments.

"We say no to any further appeasement of the ANC," Chief Buthelezi told the meeting.

The parties said they did not plan a formal alliance, but wanted to signal to Mr F W de Klerk, the president, that they would work together to thwart any further agreements between the ANC and Pretoria.

Over the past 10 days, western diplomats have been pressuring government and the ANC to take action to appease Chief Buthelezi and bring him back into the negotiations.

Israeli economy picks up

By Hugh Carnegy in Jerusalem

ISRAEL'S economy, struggling with the burden of mass immigration from the former Soviet Union, is showing signs of improvement.

Unemployment, which reached a record level of 11.6 per cent of the workforce in the first quarter, fell to just less than 11 per cent in the second quarter, according to official figures.

Industrial production has, since April averaged a monthly 1.5 per cent increase over the first quarter. Aggregate first half profits of 330 publicly traded companies were by 65 per cent over the same period of 1991.

Exports of goods have been ahead of last year by an average of more than 5 per cent a month since April. Tourism has recovered spectacularly from the slump induced by the Gulf war. It was up by 10 per cent in the first nine months.

Inflation has come down to an annual rate of less than 10 per cent after totalling 18 per cent in 1991. Tax revenues were up by 8 per cent in real terms in the first nine months.

While GDP growth this year is expected to repeat the 6per cent level achieved in 1991, it will be greater in per capita terms because of a slowdown in immigration this year.

Old fears erupt along Japanese fault lines

Last year's volcano victims are still suffering, reports Emiko Terazono

SEVENTY-year-old Mrs Shizue Kanegae's home escaped destruction when Mount Unzen erupted last year. The bad news is that her house will have to come down when a dam is built to halt the mudslides from the volcano on Kyushu island, off southern Japan.

"Life will not be the same again," sighs Mrs Kanegae, a farmer, and one of the 6,054 people who are now living in one-room prefabricated huts provided by the local government.

Unzen's explosion evoked one of the deepest fears of Japanese, who live in fear of earthquakes and volcanoes since the country lies on a fault line in the earth's crust. The death of 43 people and the destruction of rice fields, homes, and schools by the lava and hot ash perpetuated feelings of vulnerability.

Some 15,000 were killed the last time Mount Unzen erupted in 1792. The volcano is still active, spewing out lava at least once a day. Lava domes are still growing, although specialists believe that large scale eruptions are unlikely for the time being.

"It will take more than 10 years for everything to return to normal again," says Mr Kanichi Kanegae, mayor of Shimabara City, which lies at the foot of Mount Unzen.

"However, we're dealing with nature and there are limits to what we can do."

The eruption, which caused estimated damage of Y124bn ($1.03bn), has brought the local economies of Shimabara and its neighbouring town of Fukae to a halt. The designation of the populated areas as danger warning zones, prohibiting public entry, has hurt the area's tobacco farming, sewing factories, and tourism.

In the danger zones, houses are deserted and overgrown grass and weeds cover the unkept gardens. Tattered decorations from the New Year flutter from an empty farmhouse rooftop. Bulldozers and trucks raise dust storms, as they clear away the debris left by the most recent mudslides.

To the frustration of the evacuees and others affected by the volcanic eruption, the government does not provide direct financial aid to individuals.

So far, calls from the residents for a special law to aid restructuring have been rejected. However, donations totalling Y16.1bn have supported the evacuees, as the disaster has evoked sympathy in the Japanese people.

While office workers who commute to the neighbouring cities were quick to return to their jobs, unemployment for farmers who have lost their fields has presented problems.

Trying to find new jobs for those in the agricultural industry is proving to be the most difficult task for the local authorities. "It's hard to convince farmers, who have a strong affinity to their land, to move and change the way of living at the same time," explains an official of the Nagasaki prefectural government.

Local authorities are intent on easing restrictions limiting entry into the danger zones and the construction of a dam preventing the spreading of future mudslides. Some 300 homes are planned to be removed to make way for the construction of 120 protective dams and embankments.

Mrs Kanegae says her son, who has been working on a construction site in Osaka since the eruption, will no longer have a house to come back to. "I can't sleep at night when I think of the mountain and our future," she says.

هكذا في الأصل

CONSERVATIVE PARTY CONFERENCE

Tebbit exposes Tory splits on Europe

By Ivo Dawnay and Bethan Hutton

DEEP splits in the Conservative party over Maastricht were exposed by Lord Tebbit yesterday as he seized on the debate on Europe to urge the government to abandon the treaty.

In an electrifying address from the floor of the Brighton Conference Centre, the former party chairman won passionate applause from the treaty's opponents.

But his undisguised criticisms of Mr John Major were met with a calm counter-attack from Mr Douglas Hurd, who warned that party risked breaking itself over Europe.

The foreign secretary's forthright defence of the government's achievements in the Maastricht negotiations ensured that the highly-vocal anti-treaty faction were easily defeated.

Lord Tebbit, however, was welcomed to the platform during the Maastricht debate with applauding delegates on their feet in many parts of the hall.

The one-time MP warned that the government was now "in desperate trouble" with Chancellor Norman Lamont under-attack even in the normally loyal Conservative press.

Then in a clear sideswipe at the prime minister who oversaw *the UK's* entry *into the* exchange rate mechanism, he added: "I hope you will stand by your Chancellor – it was not Norman Lamont's decision to enter the ERM. He did his best to make the unworkable work.

"The cost in lost jobs, bankrupt firms, repossessed homes, in the terrible wounds inflicted on industry, has been savage."

Lord Tebbit then set about Maastricht, claiming that " a great tide of opinion" was engulfing Europe opposed to a federal community.

Taking on the central plank of the government's strategy to the cheers of his supporters, he then went on to define the concept of subsidiarity as allowing Brussels to decide what it would deal with, then "subsidiary governments will get subsidiary issues".

As opponents demanded a referendum, other loyalists underlined that the country would suffer dire consequences for industry if it abandoned Europe.

When Mr Hurd rose, his appeal was for cool heads. He stressed common ground in the party pointing out that very few opposed EC membership or advocated a Euro super-state.

Commending the government's achievements in negotiating opt-out clauses on the social chapter and UK entry into a single currency, he said to loud applause: "We are winning the arguments – now is not the time to kick over the table."

The foreign secretary then went on to put the argument for Britain maintaining the stance it had taken prior to the election and in Commons' votes since.

"We don't want Britain to be on the sidelines when the security and prosperity of Europe are being decided," he said.

Canary Wharf move for Texaco

By Vanessa Houlder, Property Correspondent

TEXACO, the international oil company, yesterday ended months of uncertainty about the proposed relocation of its UK headquarters to Canary Wharf, by announcing it would move 1000 employees to the London Docklands office project in next year.

The new lease signed by Texaco is a much-needed vote of confidence in the insolvent office scheme that *cost more* than £1.5bn to build. It has suffered a succession of blows in recent weeks, including the withdrawal of American Express and Chemical Bank.

Mr Alan Bloom, joint administrator, said attracting Texaco "will provide a significant boost to our efforts to ensure the scheme's viability."

The agreement followed months of negotiations that started when Canary Wharf went into administration in May. Shortly afterwards, Texaco postponed its move.

Texaco said it was pleased with its new agreement, which met its "requirements for a headquarters appropriate to the company's long-term needs."

Texaco is believed to have paid around £30m for a 1000 year lease on the 230,000 sq ft building at 1 Westferry Circus, with an option to buy the building or break the lease after six years. It will also rent an extra 30,000 sq ft in an adjacent building.

Texaco's decision was not affected by the uncertainty surrounding the future of the Jubilee Line's extension to East London.

"Although we would like the Jubilee Line extension to be built, we have made our decision *on the strength of* transport links that are already there," said a Texaco spokesman. "We always had in mind that the the Jubilee Line would not be in place until the mid to late 1990s."

The renegotiation of Texaco's lease, originally signed in September 1989, was simplified by the imminent expiry of its lease at its existing offices in Knightsbridge. By contrast, part of the reason why American Express cancelled its lease was that O&Y was unable to honour its obligation to pay the rent on the bank's former premises.

The administrators have agreed to further fitting out works at 1 Westferry Circus and to more building work on the building adjacent to Texaco's headquarters.

Sanyo cuts 95 jobs at UK plant

By Chris Tighe

JAPANESE-owned Sanyo Electric Manufacturing (UK) said yesterday the weakness of the pound against the yen had forced it to shed around 95 jobs, one third of the workforce at its microwave ovens plant at Newton Aycliffe, north east England.

The company, which buys some components from Japan, said the yen's relative strength and high interest rates had *compounded problems caused* by the recession in the UK.

The "difficult decision" to restructure at Newton Aycliffe, part of an £11m investment announced only four years ago, was necessary to ensure the plant survived, the company said.

Mr Ron Bell, assistant to the plant's managing director said: "We're trying to save 66 per cent of our workforce, to re-establish ourselves in a very competitive market."

The Newton Aycliffe plant has been selling 70 per cent of its output in the UK and the rest in continental Europe.

Mr Bell said hopes of an imminent end to the recession had not been realised. "It appears we will be in this recession for perhaps a year, or two years," he said.

Holding tight on the sterling rollercoaster

The pound's fate is uncertain while economic policy is unclear writes **Ed Balls**

THE FOREIGN exchange markets do not seem to know what to do with Britain's devalued currency. But Britain's exporters cannot afford simply to wait and see where sterling eventually ends up. Their marketing strategies and expected profits depend on estimates made now about where the pound will be both in three months and three years time.

So where might the pound end up once the excitement dies down? What kind of rollercoaster ride can sterling expect on the foreign exchanges in the meantime? Economists like to believe that exchange rates are determined according to the predictions of their economic theories. Typically, though, they disagree about which "fundamental" forces count.

Those who argued that sterling was correctly valued at DM2.95 based were using the "purchasing power parity" valuation method. This says that the correct exchange rate between any two currencies is the one which equalises the price of the same traded good in both countries.

Estimates of PPP exchange rates for the UK, US and Germany over the past decade, based on a basket of similar goods collected by the OECD figures and use trade-weighted exchange rates, suggest that sterling was overvalued before Black Wednesday – British exports were, on average, slightly more expensive than those of the UK's competitors.

But sterling's 11 per cent effective devaluation has more than eliminated this disadvantage – sterling is now 6 per cent undervalued in trade-weighted terms.

Does this mean that sterling must eventually appreciate or alternatively that UK inflation must be higher than elsewhere to bring UK export prices into line? The track record of PPP rates suggests not. They have, in fact, been a very poor guide to actual exchange rate valuations over the past decade.

PPP calculations ignore many other economic "fundamentals" other than export prices which determine whether a country's exchange rate is sustainably valued. To compete with German manufacturers at DM2.95, UK exporters had to sell their goods at comparable prices. But there were too few UK exporters who were able to do so at that exchange rate.

The alternative method - called "fundamental equilibrium exchange rates" to scare off the uninitiated – uses macroeconomic models to estimate the exchange rate at which the economy can return the trade account into rough balance in the medium term. FEER exchange rates tell a very different tale. In FEER terms, sterling was overvalued at DM2.95 – by about 15 per cent according to Mr Ray Barrell at the National Institute of Economic and Social Research. But sterling's subsequent fall, since Black Wednesday, to around DM2.40 means that sterling is correctly valued.

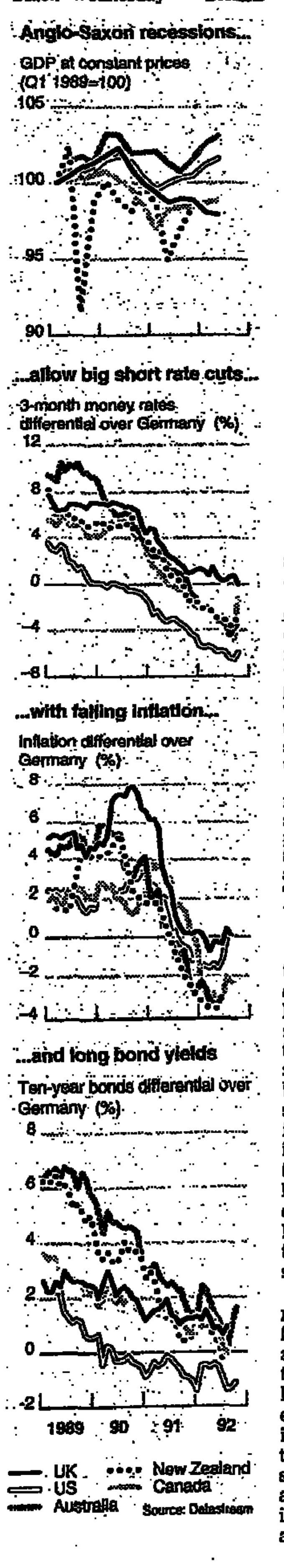
Yet even if the current exchange rate is an acceptable final resting place for sterling, the chances are that it will have to fall further in the meantime. Why must sterling overshoot? The reason is that UK interest rates are now lower than in most other European countries. Investors will only hold pounds if they can also expect capital gains from a sterling appreciation.

How large must this overshoot be? The further markets expect sterling interest rates to fall relative to those in Europe, the further that traders must *push sterling down. That is* why the lack of a clearly articulated government economic strategy is destabilising, and the market gyrations so manic.

The chances are that currency analysts have been studying the behaviour of policymakers in the US, Australia, New Zealand and Canada for clues as to how the UK Treasury might act.

Why this Anglo-Saxon fixation? Because these are the countries which, like the UK, have *experienced serious debt-related* recessions and have all responded by cutting short term interest rates aggressively. Far from leading to a build-up of inflationary pressure, they have also seen their inflation rates and long-term interest rates fall relative to those in Germany. The cost has been large exchange rate depreciations against the D-Mark, in all cases at least twice as large as sterling's fall so far.

Will the UK *take the same* route? The gain would be relief for hard-pressed consumers and bankers. But the risk is that a temporary fall in sterling towards DM2.00 would encourage the Britain's famed inflationary tendencies. Unless the government speaks out soon, the markets are likely to anticipate that more cuts in interest rates are coming – and sell sterling accordingly.



Lamont to target low inflation

MR NORMAN LAMONT, the chancellor of the exchequer, will emphasise the government's determination to defeat inflation during his speech to the conference tomorrow, **Peter Norman writes.**

In a break with tradition, the *chancellor is expected to* devote part of his speech to policy questions to counter criticism of a policy vacuum following sterling's departure from the European exchange rate mechanism three weeks ago.

During *tomorrow's confer*ence debate on the economy, Mr Lamont will develop his idea of using a number of financial indicators, encompassing measures of narrow and broad money supply growth, asset prices (including house prices) and the exchange rate, *to determine* monetary policy. He will also underline the government's wish to get a grip on the UK's rapidly growing public sector borrowing requirement through control of public expenditure rather than any increase in taxation.

Government officials yesterday insisted that sterling's sharp fall since Black Wednesday was not a sign that the government was turning away from tight policies designed to reduce inflation.

They said that domestic economic indicators suggested *that inflationary* pressures are at present weak in the economy. But they pointed out that the government has been prepared to take unpopular decisions to control inflation in the past, implying that it would act in this way in future if necessary.

British Rail privatisation runs into difficulties

By Richard Tomkins, Transport Correspondent

GOVERNMENT proposals for the privatisation of British Rail have run into serious difficulties over plans to split the ownership of the tracks from the operation of the trains.

The Department of Transport is facing the possibility that railfreight will switch to road, branch lines will close, government subsidies will rise and competition will fail to materialise.

The government's plans, set out in a policy document in July, are that ownership of the tracks be left with a BR residuary body called Railtrack and that the private sector takes over operation of trains.

Mr John MacGregor, transport secretary, is expected to tell the Conservative Party conference this afternoon that private sector companies are queueing up to become train operators once the privatisation legislation has gone through.

But the Department of Transport has yet to tell would-be operators how much they will have to pay for access to Railtrack's lines or how much competition they will face on routes.

In the next few days the department is to launch a market testing exercise, asking potential train operators to say what services they would like to run and how much they would be prepared to pay.

The results will be fed into a study being carried out by the consultancy arm of Coopers & Lybrand, the accountancy firm, which has been commissioned by the government to devise a system of charging train operators for track use.

Coopers & Lybrand is not expected to produce its report until the end of the year, but it is understood to have told the Department of Transport it has identified a number of serious problems.

Signal failures, Page 14

Bank of England governor announces overhaul of payment procedures

Bank system faces shake-up

By Robert Peston

A RADICAL overhaul of the UK banking payments system, aimed at reducing the risk of a domino effect if a bank collapses, was announced yesterday by Mr Robin Leigh-Pemberton, governor of the Bank of England.

"I regard this as one of the most important developments in my governorship," he said.

Delays in the settlement of big payments between the clearing banks are planned to be eliminated by 1995. At the moment, large value payments between banks, which are carried out through the Clearing House Automated Payments System (Chaps), take place only at the end of each business day.

The Bank of England believes that this delay in settlement of inter-bank payments is one of the most worrying flaws in the banking system.

Only substantial interbank payments – as opposed to the transfer of funds linked to the clearance of cheques for personal customers – will be affected by the reform.

If a bank were to run into financial difficulties now and was unable to make its end-of-day payments to other banks, those other banks could also run into severe financial difficulties.

Mr Leigh-Pemberton said: "Intra-day exposures [between banks] can be massive – sometimes exceeding the capital of the banks concerned."

Three years ago Mr Leigh-Pemberton encouraged the banks to work on a way of reducing their exposure to each other. The best way of doing that is to introduce a "real time gross settlement system", said Mr Leigh-Pemberton, speaking at the payments systems international conference in London.

Mr John Davies, deputy chief executive of Lloyds and chairman of Apacs, the banks' clearing consortium which has responsibility for Chaps, pointed out that the banks were already taking steps to reduce the risks of a systemic failure induced by problems in the payments system.

Members of Chaps are this year introducing limits on the size of their respective exposures through the payments system to individual banks. However, the Bank of England believes this should only be a temporary solution because it could have adverse effects on bank customers.

At the moment, any non-bank institution receiving a big payment through the banking system can receive the funds as soon as the transfer order has been placed. For example, if a customer of Midland pays £100m to a Barclays customer, Barclays may credit the funds to its customer as soon as it receives the order, even though it will not actually receive the funds from Midland until the end of the day. However, if Barclays were to breach its limit on the amount of intra-day credit it can give to Midland, it might delay transferring the funds.

Editorial Comment, Page 14

BA warns Washington not to block USAir deal

By Paul Betts, Aerospace Correspondent

BRITISH Airways, the UK flag carrier, yesterday stepped up pressure on the US government to approve its $750m investment for a 44 per cent stake in USAir, warning that rejection of the deal would have severe consequences for airline deregulation.

Sir Colin Marshall, BA's deputy chairman and chief executive, said "non approval by the US would create a response of a fortress mentality in the UK and elsewhere and put back the course of deregulation for many years."

Sir Colin said his airline would fight vigorously "for our right to make a legitimate investment in USAir".

His warning coincided with the start of a new round of negotiations in Washington between the US and the UK over the BA deal.

BA also launched a £80m investment programme yesterday to improve its long-haul business class and Concorde services. BA plans to refit all 6,000 of its business class seats on its fleet of 71 long-haul aircraft over the next year.

The US authorities are now coming under intense pressure from the three largest US carriers – American Airlines, United Airlines, and Delta Air Lines – to block the BA-USAir deal unless they can secure from the British government greater access for the three US carriers in the UK and continental European markets.

While the UK government is prepared to negotiate a new "open skies" bilateral agreement with the US, it has so far opposed linking the BA-USAir deal with a new bilateral aviation accord between the two countries.

Airline industry officials yesterday warned that the issue risked becoming a "cause célèbre" if the US government rejected the BA-USAir deal.

BA, however, is still hoping to secure US approval for the deal before the transaction's deadline of December 24.

Should the deal be blocked, BA could consider taking legal action in the US high court.

"Our plan falls firmly within prevailing US regulations and there is no legitimate ground for non approval in Washington," Sir Colin said.

He also argued that the current balance weighed heavily in favour of US airlines which could operate from 771 points in the US to the UK, while BA operated from 7 points in the UK to 20 in the US.

But the US carriers argue that the current bilateral gives BA an advantage by restricting their access to the UK and especially London Heathrow.

● A strike by mechanics and other ground crew workers against USAir, the sixth largest US carrier and BA's proposed partner, moved into its second day, with the airline operating only about 60 per cent of its normal jet departures, writes Nikki Tait in New York.

The industrial action, which stems from USAir's effort to negotiate work rule change and wage reductions with the International Association of Machinists, has caused extensive travel disruption, although other airlines have agreed to honour USAir tickets when passengers are stranded.

Maxwell director arrested

MR ROBERT BUNN, former finance director of Mr Robert Maxwell's private companies, was arrested yesterday and charged with fraud following the Serious Fraud Office investigation into late publisher's empire, writes John Mason.

Mr Bunn was arrested by police and charged with conspiracy to defraud. He was released on police bail to appear magistrates court on December 1 with Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg who jointly face theft and fraud charges involving £135m.

The charge against Mr Bunn is: between November 1 1990 and December 31 1991, he conspired to defraud a syndicate of 35 banks, led by Swiss Bank Corporation and Crédit Lyonnais, by dishonestly being a party to the pledging of common stock in Berlitz International Incorporated, by way of security for loans to third parties, in breach of terms of a loan agreement, dated October 23 1989 between the syndicate and Maxwell Communication Corporation plc.

Britain in brief

UK Treasury unveils open policy plan

The Treasury has unveiled far-reaching proposals to to meet criticisms that it has made serious mistakes over economic policy and become too remote from the City and industry.

The initiative could lead to a more open style at government's most important department, whose reputation has been severely dented during Britain's longest recession for 50 years. The proposals are being drawn up as the Treasury attempts to find a new economic strategy after the shock of Britain's exit from the European exchange rate mechanism three weeks ago.

The Treasury's tactics in attempting to defend the pound ahead of ERM suspension have been widely criticised in the City. The department has also come under attack from politicians and industrialists for misjudging the seriousness of the recession.

Insurer to review policies

Scottish Widows, one of the UK's largest insurance companies, has been ordered by the Life Assurance and Unit Trust Regulatory Organisation to inform more than 20,000 policyholders that they may have been sold the wrong policy.

The policies were sold by Scottish Widows' tied agents – financial advisers which sell the products of one company exclusively but which are not directly employed by it.

A compliance check by Lautro, which started in April, discovered that some sales agents had gathered too little information on policyholders to be able to offer best advice, as required by industry regulators. Scottish Widows is checking policies sold by all its tied agency firms.

Pitchford Hall, one of England's most beautiful half-timbered houses, has been sold to an overseas buyer. The contents of the house, near Shrewsbury, were auctioned for more than £1.3m. The 40-room house, on the market for the first time in 500 years, is understood to have fetched more than £750,000

MMI resumes claim payments

Municipal Mutual Insurance, the insurance company which ceased underwriting new business last week, is to resume payment of claims.

The group announced a seven-day moratorium on claims when it closed for new business last Wednesday.

Mr Brian Wright, chief executive, said the decision had allowed MMI to "take stock of the situation" after the breakdown of efforts to sell the group to the Paris-based la Garantie Mutuelle des Fonctionnaires.

Island plans economic unit

A central economic strategic unit will be set up to advise the Isle of Man government, according to the island government's 1992 policy report. Manx officials said the policy would promote the island, a crown dependency, as "offshore Europe".

Cuts threaten British Council

Britain's cultural diplomacy is threatened by public expenditure cuts and the government's drive to open up the civil service to competition from the private sector, according to Sir Martin Jacomb, chairman of the British Council, the UK's main agency for promoting British culture and the English language overseas.

Car industry gloom deepens

The UK car industry plunged deeper into gloom yesterday as statistics for September showed new car sales continuing their downward slide. Official figures from the Society of Motor Manufacturers and Traders showed sales down 4 per cent last month compared with a year ago, to 121,823 from 126,906.

Fishermen let off VAT hook

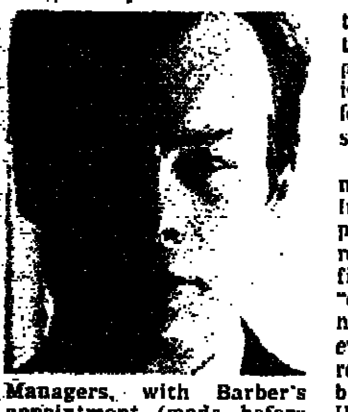
Devon fishermen angling to keep crab and lobster bait free of value added tax have landed a resounding victory against HM Customs and Excise thanks to the sophisticated palates of shellfish.

After a 15-month campaign Customs has relented and agreed that fresh fish used to catch shellfish will not be liable for VAT – as long as they are fit for human consumption. Maggots, lugworms and other bait used by anglers will retain the 17.5 per cent levy.

هكذا حبة للأصل

PEOPLE

Barber for Invesco MIM in UK



The new chief executive of the UK unit trust arm of Invesco MIM is Stephen Barber, who returned in May after five years with the group in Tokyo having clocked up some notable successes in helping to break into the protected world of Japanese fund management.

Barber arrives at a time when the British unit trust industry is exceptionally depressed, and as Invesco MIM, as a group, is fighting to re-establish credibility after its involvement with Maxwell and the investment trust Drayton Consolidated. Lord Stevens recently stepped down as chief executive of Invesco, to be replaced by Charles Brady, who is understood to be putting in place a generally less high-risk investment strategy.

Nicholas Johnson, responsible for all the group's business outside America, had previously also been chief executive of Invesco MIM Unit Trust Managers, with Barber's appointment (made before Lord Stevens stepped down) reflecting a desire to strengthen the operating heads of individual divisions.

Barber, 37, a fluent Japanese speaker who spent one Christmas holiday in Tokyo translating 50 pages of domestic investment trust industry rules from Japanese into English, helped Invesco MIM this year to become the first foreign firm to win a Japanese corporate pension account, and the group is also now the largest of just four foreign firms licensed to sell investment trusts.

Retail investors have not necessarily been deterred by Invesco's highly publicised problems, Barber contends; recent surveys of independent financial advisers show "extremely low levels of awareness". His main priority, however, is a defensive one – "to retain business" – and to build as conditions improve. He thinks lessons learnt in Japan – notably that "client is king" – will help in defining a modified UK approach.

Barber has had to wait until now to gain regulatory approval for his appointment – a process slowed by the fact that he had been out of the country since the vast body of new securities regulation bad been implemented in the UK.

■ Haagen-Dazs, one of the UK's most successful ice cream brands despite having been launched just over one year ago, has lost its UK managing director, Justin King.

Owned by Grand Metropolitan, Haagen-Dazs has prided itself on a successful high profile ad campaign which has gained much attention for its use of sexual teasing. So could King's demise thus be related to the ad campaign?

Not at all, says Tony McGrath, managing director of Haagen-Dazs north Europe. "We parted company by mutual agreement, following a disagreement over the future direction for the company."

■ Tony Belisario is to become managing director of an enlarged Dowty Electronic Systems and Components, part of TI Group since it was bought in June. Belisario was with Dowty Defence and Air Systems and Dowty Fuel Systems before leaving to join GEC Aerospace. Geoff Bicknell has been appointed finance director, joining the division from Lucas.

As part of the same management reorganisation, Colin Cocks is to move from managing director of Electronic Systems to vice chairman of Dowty, with responsibility for government relations.

■ Nigel Rudd, 45, chairman of Williams Holdings, is stepping down as non-executive chairman of Raine Industries and becomes deputy chairman. Peter Parkin, 46, Raine's current chief executive, will take over as full-time executive chairman after the agm.

David Vincent, 49, md of Raine's Hall & Tawse division, takes over as group md. He has spent 32 years in the construction industry, primarily with Aberdeen Construction which was acquired by Raine in 1987.

Rudd intends to continue to take an active role; he will be a member of the audit committee and chair the remuneration committee.

■ Rowley Ager, company secretary, is appointed to TESCO's board with responsibility for treasury, and Terry Leahy, formerly commercial director for fresh food, becomes main board director for marketing.

■ Philip Sellers, a former finance director of British Rail, has taken over as chairman of Inner City Enterprises, a development company specialising in inner city development. He is a director of POSTEL Investment Management, a director of Etam Group and non-executive chairman of CSL, a financial and management consultancy.

■ Nicholas Butler has been appointed company secretary of JOHN FOSTER & SON on the resignation of Graham Creswick.

■ Graham Wallace, finance director of GRANADA Group, has been appointed chief executive of Granada UK Rental, on the resignation of Tom Cole.

■ Alastair Thomson is appointed finance director of Jowetts; Stephen Clark is appointed commercial director, Nigel Knighton, works director and Ray Schofield, finance director of Watmoughs Ltd; Barry Smith is appointed a director of Watmoughs Graphics; David Rigby is appointed finance director of Chantry Web; all are subsidiaries of WATMOUGHS (HOLDINGS).

■ Mike Schlumpf has been appointed deputy md of CYANAMID OF GREAT BRITAIN; he returns to Gosport from Cyanamid's Nordic subsidiary in Stockholm where he was md.

British Council picks deputy dg

The British Council has appointed John Hanson as director-general, it was announced at yesterday's annual general meeting.

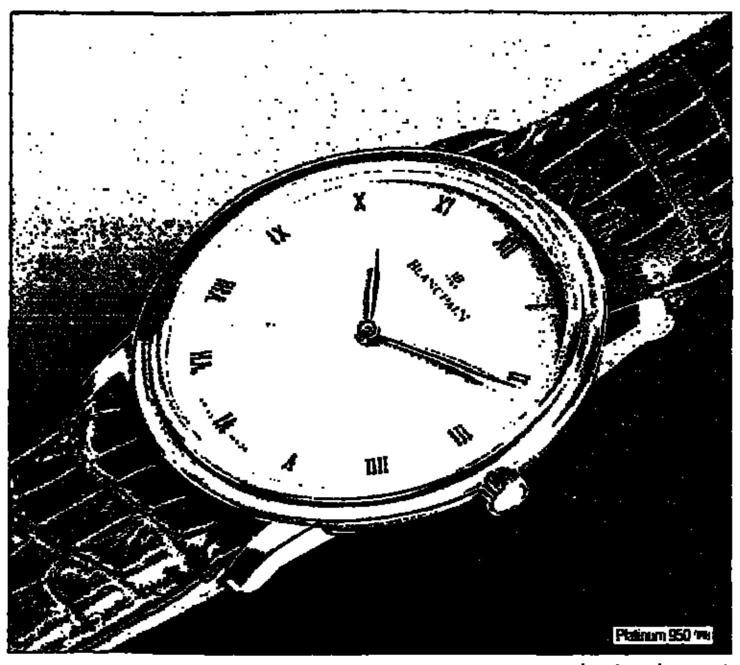
Hanson, 53, was previously deputy director-general and had been acting director-general since the death of Sir Richard Francis in June.

A graduate of Wadham College, Oxford, Hanson is a career civil servant who has spent most of his working life with the Council. Having become a fluent Arabic speaker during his second posting abroad in the Lebanon, he went on to be the Council's director in Bahrain and a cultural counsellor in Iran in the period leading up to the downfall of the Shah. His first and final postings abroad were to India.

During his four years as deputy director-general, Hanson was responsible for developing and leading the Council's strategy for repositioning itself. This led to a radical reappraisal of planning, management, personnel and financial systems.

The decision to appoint Hanson as director-general won the unanimous backing of the Board of the Council and the warm endorsement of the Foreign Secretary, according to Sir Martin Jacomb, chairman of the Council. The post, advertised nationally, attracted 257 applications; 34 were interviewed and Hanson selected from a shortlist of three.

BLANCPAIN



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2

Bank Bali

Bank Bali was established on December 17 1954 in Jakarta, and is one of the ten largest private foreign exchange banks in Indonesia. Since deregulation the bank has moved aggressively from the traditional wholesale banking sector into the retail and middle markets through its 77 branches.
Bank Bali had developed relationships with foreign banks to open joint venture banks, such as:- Sanwa Indonesia Bank; in cooperation with Sanwa Bank of Japan.- United Overseas Bank Bali ; in cooperation with United Overseas Bank of Singapore.
Since deregulation of the Indonesian Banking System, Bank Bali has become one of the leading national private foreign exchange banks in terms of profitability, capital adequacy and professionalism.

3

Finter Bank Zurich

Finter Bank Zurich is a traditional Private Bank in Switzerland with offices in Zurich, Chiasso, Lugano and Geneva. The bank is built on a strong capital, balance sheet and client base.
The protection and growth of client assets are the top priority, and competent portfolio management and individual investment advice are the basis of long-term relationships with its customers. The full range of Private Banking services includes personal advice as well as foreign exchange and money market products and Corporate Finance.

4

Berjaya

Berjaya has grown over the past eight years and today has emerged as one of Malaysia's largest diversified Group. Berjaya has a turnover of over M$1.8 billion, pretax profit of over M$100 million and five companies listed on the KLSE. Through the entrepreneurial leadership of Tan Sri Dato' Vincent Tan, the Group has been transformed into a diversified entity through partnership, acquisitions, joint ventures and new start-ups into the following core business:
• Consumer Marketing • Leisure • Property • Industrial • Financial Services
Berjaya also has joint-ventures with Prudential of UK and Tokio Marine of Japan. The 1992 Annual Report details the Group's growth potential.
Group Chief Executive Officer - Tan Sri Dato' Vincent Tan Chee Yioun.

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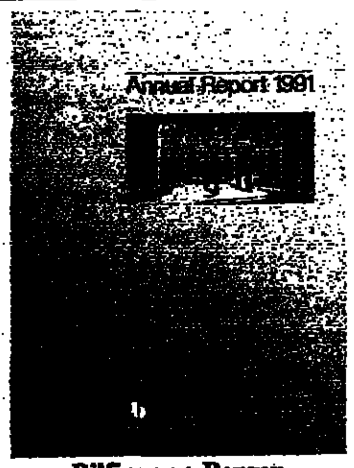


Bilfinger + Berger

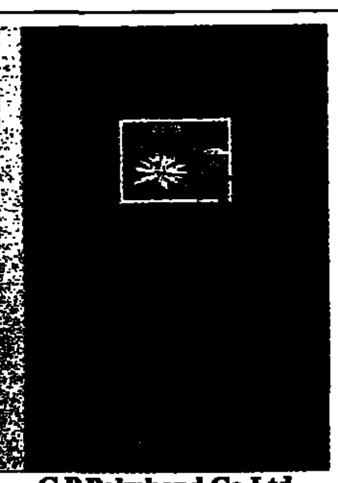
Bilfinger + Berger Bauaktiengesellschaft is one of the leading groups of companies of the German construction industry. In addition to traditional building construction and civil engineering the major fields of activities of the Company are environmental technology, project development and refurbishment of buildings. 1991 was an especially successful year for Bilfinger + Berger. As compared with 1990, the total performance of the internationally operating Group increased by 25.8 percent to DM 5,295 million. The value of orders in hand at year-end amounted to DM 6,065 million, which is the highest value ever achieved in the Group history. The Group had net earnings of DM 65.4 million (previous year: DM 43.5 million). A further increase in the total performance is expected during 1992.

6

Magma Copper

Magma Copper Company is a fully-integrated producer of electrolytic copper and ranks among the largest U.S. copper producers of high quality copper cathode and rod, which are sold worldwide. Magma's smelting and refining complex is the largest and most modern in the U.S., representing about 25% of U.S. capacity. This smelter meets all environmental regulations and has a capacity of one million tons of new concentrate per year. Magma owns and operates underground and open-pit mines as well as leaching, solvent-extraction and electrowinning facilities. Magma recently completed the purchase of a new copper and gold orebody. Magma Copper is headquartered in Tucson, Arizona and its shares trade on the NYSE (Symbol : MCU).

7



C.P.Pokphand Co.Ltd.

C.P.Pokphand engages in vertically integrated agri-industrial, industrial and trading businesses in China, Thailand, Indonesia, Turkey and Hong Kong. The Company's activities include animal feed productions; animal husbandry; meat and prawn processing; trading in a wide range of agricultural commodities, products and equipment; motorcycle production and related industrial activities. The Company is part of the Thailand based Charoen Pokphand Group, which is one of the largest agri-industrial business consortia in Southeast Asia. The Company has interests in 20 separate agri-industrial projects spread across the whole of China. It owns 50% of a motorcycle factory which has a 15% marketshare in China. In Thailand and Indonesia, the associates are leading companies in the agri-industries of these countries.

8

Banco Comercial Português

Banco Comercial Português was formed seven years ago, in June 1985, and is now one of Portugal's leading commercial banks, ranking fourth in terms of assets. The bank pioneered a unique marketing approach by segmenting the market into different customer networks. the most recent, aimed at small businesses, was launched in the second quarter of 1992. In each segment, and using its substantial and highly automated branch network, it aims to provide a full range of financial products for those specific customers. BCP is the largest quoted stock on both Portuguese Stock Exchanges and the only Portuguese stock listed on the New York Stock Exchange.

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BUSINESS AND THE ENVIRONMENT

Saving water at the root

Fertigation – a combination of fertilisation and *irrigation* used widely by fruit and vegetable growers in hot, dry climates – could reduce pollution and water consumption in cooler, wetter countries such as Britain.

Horticulture Research International, the state-backed agency which carries out research for the UK fruit and vegetable industry, is investigating fertigation at its Kirton experimental station in Lincolnshire.

The technique supplies metered quantities of nutrients directly to the roots of the growing plants through a "trickle irrigation" system. It requires thin-walled piping to be laid along each row of crops.

Preliminary results suggest that fertigation could reduce the water and fertiliser requirements of British vegetable growers, while bringing crops to market more quickly.

"Results so far have shown a good response in cauliflowers, some of which matured 18 days earlier than conventionally produced crops," says Mike Wood of HRI Kirton.

But he believes the big advantage of the technique would be to eliminate the need for traditional large-scale "broadcasting" of nitrogen fertiliser, together with overhead irrigation which can wash much of it into rivers and groundwater.

Fertigation also conserves water resources, which are becoming increasingly scarce in the vegetable-growing areas of eastern England.

Fertigation is already used extensively for growing fruit and high-value vegetables in parts of the world with hot dry summers, including the Mediterranean countries, California and Australia.

Its commercial uptake in the UK will depend on developing hardware to match the very different economics of production in the British climate. But Wood believes that the technique could be in commercial use by 2000.

Clive Cookson

The cost of fear

Putting a price on risk is not an easy task, but it may help to save lives, writes **Bronwen Maddox**

"RISK IS about fear, and fear is a shapeless and emotional fact about the human condition," surmises John Rimington, director general of Britain's Health and Safety Executive, the industrial safety regulator.

Putting figures on everyday risks in a formal, scientific way to help judge whether fear is justified, and how much should be spent to avoid it, is the target of a five-day conference in London this week, organised by the HSE.

The conference comes at an appropriate moment. The Schipol airport tragedy, splashed over the front of newspapers on the opening day, was a blatant reminder not just of the possibility of disaster but also of the cost of alternatives, such as *relocating airports outside cities.*

But risk is everywhere, not just in obviously hazardous activities such as flying or running an oil platform or chemical refinery. On a wider front, risk assessment deserves attention because of the tangle in which some environmentalists are thrashing.

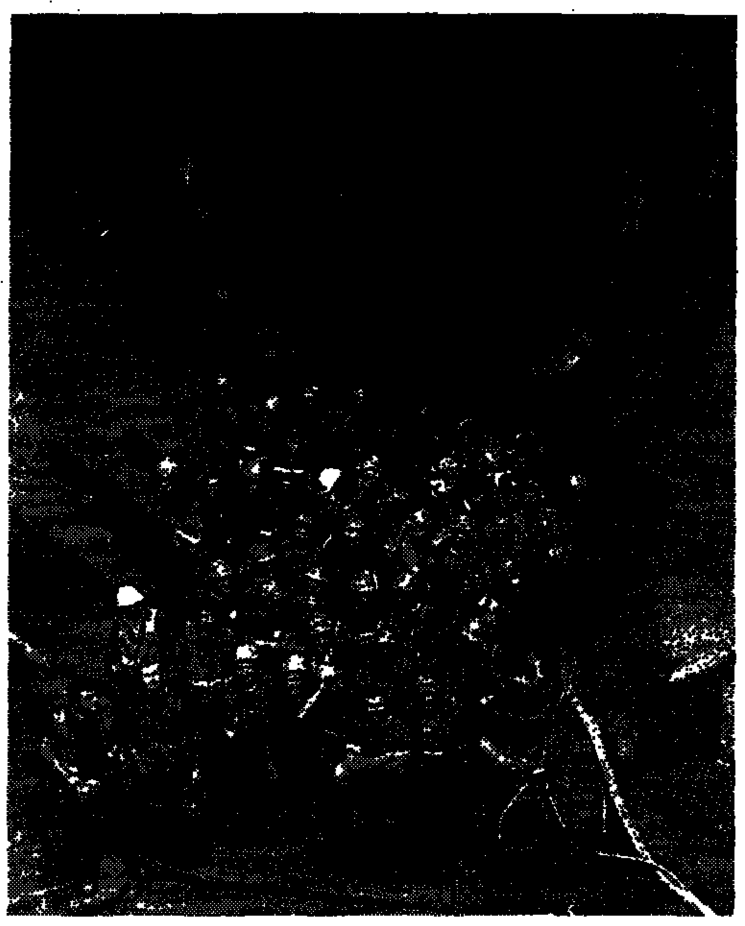
It is now clear that the costs of cleaning up the environment can be extremely high. Many companies and governments are starting to question whether every last strand of the "green" legislation passed so enthusiastically by the EC and US in the past decade justifies that cost. The concern about EC water directives voiced recently by Ofwat, the UK water industry regulator, which is worried about customers' bills soaring, is a case in point.

So "cost-benefit analysis" has become the buzzword in Brussels and in many think-tanks. But if the costs of cleaning up are obvious, the benefits to human life and health from spending a little bit more are often far from clear.

Answers do not come easily. Risk assessment is a sober, technical subject, combining the mathematics of probability with detailed projections of failure in many interlocking pieces of equipment. The HSE has complimented itself on having produced a "straightforward account for the general public" of the risks of nuclear power in its report* this week.

But the method of weighing up risk is straightforward, if the details are not, and can be set out in three main steps. First, the probability of an unwanted "event" needs to be judged. An event can be either a disaster such as an industrial explosion, or a continuous process such as pesticide contamination of drinking water.

One of the virtues of the HSE's report on nuclear power is that it is not shy of including human error in the models – such as the mistaken decision of the operators of the Three Mile Island plant to shut off its water sprinklers – although this makes the conclusions less precise.



Assessing the risk: the construction of the Channel Tunnel has claimed eight lives so far, the latest of them yesterday

Biological predictions often pose more problems than engineering ones. Judging the connection between exposure to toxic substances and cancer later in life pushes at the limits of the underlying science.

The next step is to put a value on the damage caused if the event happens. It is highly controversial because it usually means putting a value on human life. Almost everyone would say that their lives are beyond price. Nor do they find it much easier to put a price on other people's lives if asked, for example, how many lives the construction of the Channel Tunnel is worth. Or – one of many weaknesses in Ofwat's claim that it will consult water customers about desired standards – how many deaths are justified by £50 a year off the water bill.

However, if the question makes no sense to the individual, it does at governmental level. For years the accepted method in cost-benefit analysis was to put the value of a life at the estimated loss of earnings, plus a notional sum for the grief of bereaved relatives. Instead, recent studies have looked at what people pay to avoid danger – sturdier cars, safer airline, women taking taxis home after dark – and have tried to extrapolate from that.

On that basis, a 1987 Department of Transport study put a minimum value for preventing a death of £660,000 in today's prices. The HSE has adopted this in its nuclear power study, although it stresses that this is a minimum.

The last step is at least as debateable as the value of life: deciding on the level of risk that is tolerable. The route adopted by the HSE is to compare unfamiliar risks with other more familiar ones that people seem to find acceptable.

It points out that the risk of being killed in a traffic accident is one person in 10,000 a year, and the risk of a woman dying in childbirth is one in 13,000.

It comments too that people are willing to accept higher risks for something they have control over, such as driving or horse riding, but want far lower levels of risk in those they do not control, such as water quality or nuclear power.

Sometimes, where the public's judgment of a risk is not the same as the scientists', more information can help reassure. However, there are some hazards that people do not want to face at all, even if the likelihood is tiny. Many seem to rate death by radiation as much worse than death by traffic accident.

It would be wrong to dismiss these preferences as "irrational" says the HSE, and there may be little that education could do to change them. The enormous public sensitivity over water standards may fall in this category.

One of the HSE's conclusions is that safety standards in any future nuclear power stations should be set at a level where the risk to the public is at least 10 times less than that of a traffic accident.

It points out that this is a much higher standard than used for many non-nuclear plants. An HSE study of the risk of the installations at Canvey Island on the Thames several years ago, now accepted as model procedure by risk analysts, concluded that after safety improvements, the risks had reduced to a chance of one in 5,000 of a serious accident which might produce more than 1,500 casualties.

The choice of the tolerable level of risk is a matter for voters and politicians. But in putting figures on the reasons for fear, from a position beyond the heat of environmental debate, the formal assessment of risk does at least start to make the choices intelligible.

**The Tolerability of Risk from Nuclear Power Stations, HSE, HMSO, £12.00.*

Bush fuels support by backing ethanol

By Nancy Dunne

Faced with threatened loss of support from farmers in key Midwest states, a hard-pressed President Bush last week announced a plan to allow ethanol (grain alcohol) to be used in reformulated gasoline sold in the nine smoggiest American cities starting in 1995.

With the president still trailing in the polls behind governor Bill Clinton, it was a victory for the forces of maize over the combined lobbying efforts of environmentalists, the oil and natural gas industries.

Farm groups were overjoyed. Ethanol has long been seen as potentially their most lucrative remaining market, a solution for burdensome global maize surpluses and a means to reduce US dependence on foreign oil supplies. It had been a severe setback when the US Environmental Protection Agency discovered that the ethanol-blended gasoline increases smog, unlike its closest competitor – methanol. Unless there was some way around it, the EPA would have favoured methanol for use in the reformulated gasoline programme which the Clean Air Act designed to clean up the smog in the nine dirtiest cities. Methanol is made from wood, natural gas, coal, and even rubbish.

Bush: angered oil industry

But with the White House at stake, there is always a will and a way. Bush granted a waiver of requirements for gasoline blended with ethanol so it could be used in 30 per cent of the reformulated gasoline in the smoggy northern cities. Dirty southern cities can use it in 20 per cent of the market.

The decision, said Tim Trotter, chairman of the National Corn Growers Association, "truly brings about the full promise of clean air legislation passed two years ago". Another spokesman for the Corn Growers acknowledged that while ethanol gasoline could probably meet new Clean Air requirements in the north, it still would be "a challenge" in the south where the warmer air (which has an evaporative effect) would make it difficult.

To further encourage ethanol, Bush said he would ask Congress for an increase in subsidies. According to Raymond Lewis, president of the American Methanol Institute, the federal ethanol subsidy could rise to 82 cents a gallon in addition to some state subsidies, which range from 20-50 cents a gallon. These make ethanol competitive with methanol, which sells for 40 cents a gallon. The unsubsidised cost of ethanol is 120 cents a gallon.

The president infuriated the oil industry which, in any case, has been angry about other perceived slights. In order to use ethanol, they said, they would have to make a costlier, cleaner base fuel and spend millions of dollars reconfiguring their refineries. The industry said it has already spent $500m (£280m) since 1990 to increase methanol production capacity. Even more facilities are planned and ready to start construction as soon as the EPA regulations are finalised. "This politically motivated decision further rewards the highly subsidised ethanol industry, whose profits are at a two-year high," said Charles DiBona, president of the American Petroleum Institute. "It hurts oil industry workers whose numbers have declined by 450,000 over the last 10 years. It does nothing to improve air quality."

Angry methanol producers immediately appealed the decision to Congress, urging it to reject Bush's proposal to give more subsidy proposals. Lewis fired off a letter to members of a Senate and House tax conference committee and warned that "spending federal tax dollars to subsidise an uneconomic product will discourage private capital investments in unsubsidised products that can clean up the air in American cities".

He vowed to continue to fight for methanol. Congress still has to find a bill this session on which to attach the subsidies, he said, and Bush's proposal must go through a month-long formal regulatory process in the EPA. By then the election will be long past.

MANAGEMENT

Andrew Jack has been casting an eye over company annual reports and finds many of them wanting

Could do better by most accounts

The annual report may be one of the most important forms of communication between a company and its stakeholders, but it is also one of the least understood.

In spite of the rapid growth in consultancies to help with production, the standard annual report remains poorly illustrated, unimaginatively laid-out, tedious, and short on information and honesty.

There are even some signs that standards are dropping. Each year, the Stock Exchange and the Institute of Chartered Accountants in England and Wales sponsor an annual reports award; this year the judges took the unusual step of refusing to give out the prize for the best report from a small company, arguing that none was of sufficient quality.

A series of studies by design consultancies over the last few months have backed up that verdict and extended it to companies of all sizes. The studies may be part of efforts by the consultancies to stoke up business. But among the generalisations and self-promotion are some useful findings.

One of the most outspoken studies has been by Peter Prowse Associates, a Leatherhead, Surrey-based marketing and communications consultancy. Its "Company Report Report" earlier this summer names what are seen as bad, as well as good, examples among the top 50 European quoted companies.

Among the worst offenders, according to Prowse, are Associated British Foods for "an unstylish, old-fashioned look"; GUS for "skimpy brevity"; Holderbank for being "deadly dull"; Munich Re and Generali for lack of photographs; and MD Foods for poor translation.

Other examples are the reports of BTR, which included the phrase "at the beginning of 1990, we referred to an apprehension of recession which materialised soon after"; and Ciba-Geigy, which said: "A process of dynamisation with modern forms of leadership and teamwork was started."

A study by Meridian Design Consultants, based in London, is equally scathing. Among the reports of the top 100 quoted companies, it found "chairmens' photos apparently shot in railway station photo booths ... people with phones growing out of their ears ... and tableaux of terrified-looking factory workers suddenly confronted with the chairman".

Not all reports are bad. Prowse highlights good examples among retailers, including Tesco, Marks & Spencer and Sainsbury. These combine clarity, ease of reading, direct personal statements from chairmen and chief executives about objectives and strategy, and graphics illustrating a success story.

Many companies remain sceptical of the role of designers and their advice. But David Clutterbuck, chairman of the Item Group, a communications consultancy, stresses the value of professional help.

He says that with poor design and poor text in a document, people retain less than 10 per cent of the important messages. With good design and well-written text, they can retain 50 per cent or more.

Peter Prowse Associates says the best reports have at least five elements:

- Persuasion – to convince readers that the company has been well-managed and is successful, backed up by supporting facts.
- Promise – with statements about the future and clear objectives.
- Education – basic information on what the company does. It is estimated that 10 per cent of readers are seeing the report for the first time.
- Honesty – details of significant events during the year, good or bad, rather than concealment, which irritates.
- Magazine-standard quality – photos, sub-headings, boxes, charts and general design which makes for easy reading.

Clutterbuck argues that, while reports have increasingly reflected the importance of design, there has been a concentration on the "packaging"; text, meanwhile, is often neglected and squeezed in almost as an afterthought.

One problem for those preparing annual reports is having to appeal to different audiences, from the analyst well versed in financial issues, to the individual shareholder or employee with very different interests and less specialist knowledge.

McBride's Design Consultancy discovered that analysts wanted more information on the value and use of assets, capital expenditure and market detail. Private shareholders, on the other hand, wanted greater detail on long-term performance and fewer profiles of key staff.

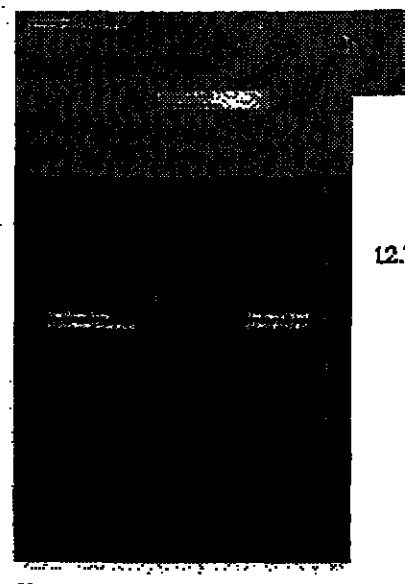
The growing role of professional design may not be entirely positive. Aziz Cami, of The Partners, another consultancy, says that many reports are becoming rather formulaic, with a regular structure of mission statement, financial highlights, a divisional and, increasingly, an environmental statement.

The wider use of design consultants may also be bad news for those looking for signs of the true health of the company. An analysis by two academics in City University Business School in London earlier this year showed that the use of certain words and phrases in the chairman's statement – such as "thanks to our bankers for their support" – can often be used as an indicator of imminent collapse. It is likely that such unguarded comments are likely to become fewer with the increasing use of consultants to prepare polished texts.

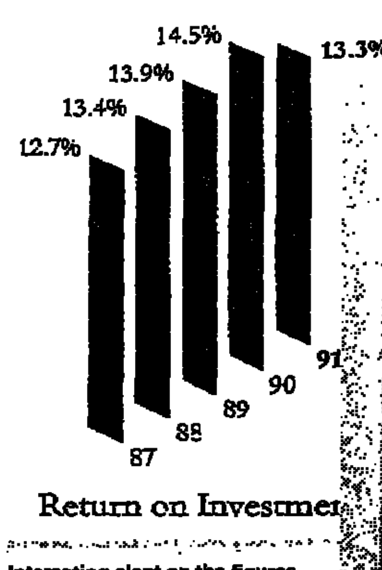
Before companies go overboard in bringing in expensive consultants, they might also take heed of one US annual report of a rather different kind which breaks all the rules. Mark Lee, of Watermark, a corporate identity consultancy, points to Berkshire Hathaway, the US group controlled by Warren Buffet.

There is no graphic on the cover, no photos anywhere, and – apart from the financial statements – nothing inside except the chairman's address, which is written in a very clear style, rich in homespun homily, and runs to 19 closely-printed pages. The lack of design seems to have done little to harm Buffet's company, which grew 40 per cent in net worth to $6.4bn last year.

Getting it wrong in the annual report



Message incomprehensible
Royal Bank of Scotland 1991

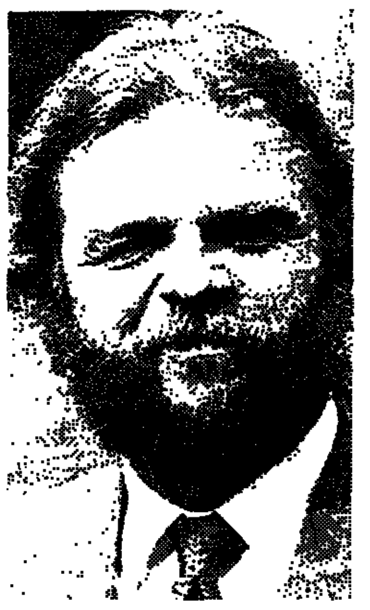


Interesting slant on the figures
Bass 1991

Right man, wrong background
Boots 1991

Fast forward on the disaster front at the BBC

Raymond Snoddy looks at plans to test the new Producer Choice policy to destruction



Greg Parston: encourages failure

Greg Parston's main role in life is to encourage executives to fail – particularly in the public sector. In the past, he has persuaded senior managers from the East Anglia Regional Health Authority to make a muck of NHS reforms.

Tomorrow, he will give BBC executives the opportunity to make serious errors in the implementation of Producer Choice, the Corporation's controversial new policy that will allow producers to buy services from the outside market. The simulated disasters are designed to help managers to avoid failure in the real world.

As executive director of the Office For Public Management, set up to help public sector managers, he has developed simulations to help hard-pressed public service managers cope with rapid change and the often conflicting demands of quality, competition and maximum efficiency.

"We want to help managers explore in advance, without guilt," says Parston, an American specialist in organisational behaviour who has also worked in healthcare management in the US. Because managers usually play themselves in the simulations and face real problems, Parston believes that management learning of the highest order occurs. "They are using their knowledge to play out what could happen," he argues.

His first simulation in East Anglia, code-named The Rubber Windmill, revealed serious potential flaws in heath service reforms. Managers cheated on quality to balance their budgets. The experience led to the setting of standard quality objectives.

Above all, Alisdair Liddell, general manager of the East Anglia authority believes the simulation demonstrated that regulation was needed to stop managers behaving in a way that could damage the organisation and also that purchasers of services had to collaborate behind a set of agreed objectives.

The exercises have become annual events and the most recent suggested that the health service reforms were doomed to collapse within the next four years into cosy, bureaucratic arrangements that militate against change, unless action was taken.

If anything similar is likely to happen with the BBC's Producer Choice initiative, Michael Starks, the executive responsible for introducing the policy, hopes to start finding out about it this week during two days of intensive horse-trading at a hotel in Kent.

The BBC exercise, called Fast Forward, will bring together 80 players – senior managers and those experienced in commercial broadcasting, including independent producers.

They will use Monopoly money to pay for the commissioning and making of programmes and to buy and sell services such as camera crews and editing time. And it will all happen very quickly. Each 15 minutes of the exercise will represent a month of real time.

Every year will flash by in two-and-a-half-hours, and if everyone plays their part, the BBC should, by lunchtime on Friday, have accumulated three years worth of knowledge on what can go wrong with the new policy.

"The trial is not designed to see whether Producer Choice will crash. It is designed deliberately to crash it. It will enable the BBC to pinpoint and correct any weaknesses and help us to make sure we get it right when Producer Choice comes on line [in April]," says Starks.

A dry run involving just 12 people, with consultants from Coopers & Lybrand representing outside suppliers, threw up one clear conclusion – that the BBC executives were more entrepreneurial than the consultants.

One of the main potential problems is double spending – that the BBC will be paying for a high level production base at the same time as producers are buying more services from the outside market.

More than 90 business units have already drawn up detailed plans to identify the expected level of demand and prices based on market rates.

The scheme has already led to redundancies as the individual business units have slimmed down.

As the Monopoly money changes hands this week, the BBC should start to find out whether the unleashed trading instinct of producers and managers set a reasonable balance or crash through budgets and undermine the production base of the Corporation.

ARTS

TELEVISION

A portrait in leaves and bark

Does Rembrandt become more interesting if we know about his personal life – his bankruptcy, his troubles with clients, and with women? Most people would say that the more human an artist is made to appear, the easier it is to develop a taste for their art. That would seem to set a pretty clear agenda for those in the business of popularising the arts, which by definition makers of television documentaries about artists are.

And yet in a fortnight that has seen a wealth of documentaries on artists, ranging from a mere 10 minutes to a full hour, all but one has taken the bold step of focusing firmly on the artists' work. The longest and quite the best of these was Channel 4's film, *Two Autumns: The Work of Andy Goldsworthy in Scotland and Japan* (shown on Tuesday 29 September). It lasted for 60 tranquil, spellbinding minutes, and for my tastes could well have run on longer.

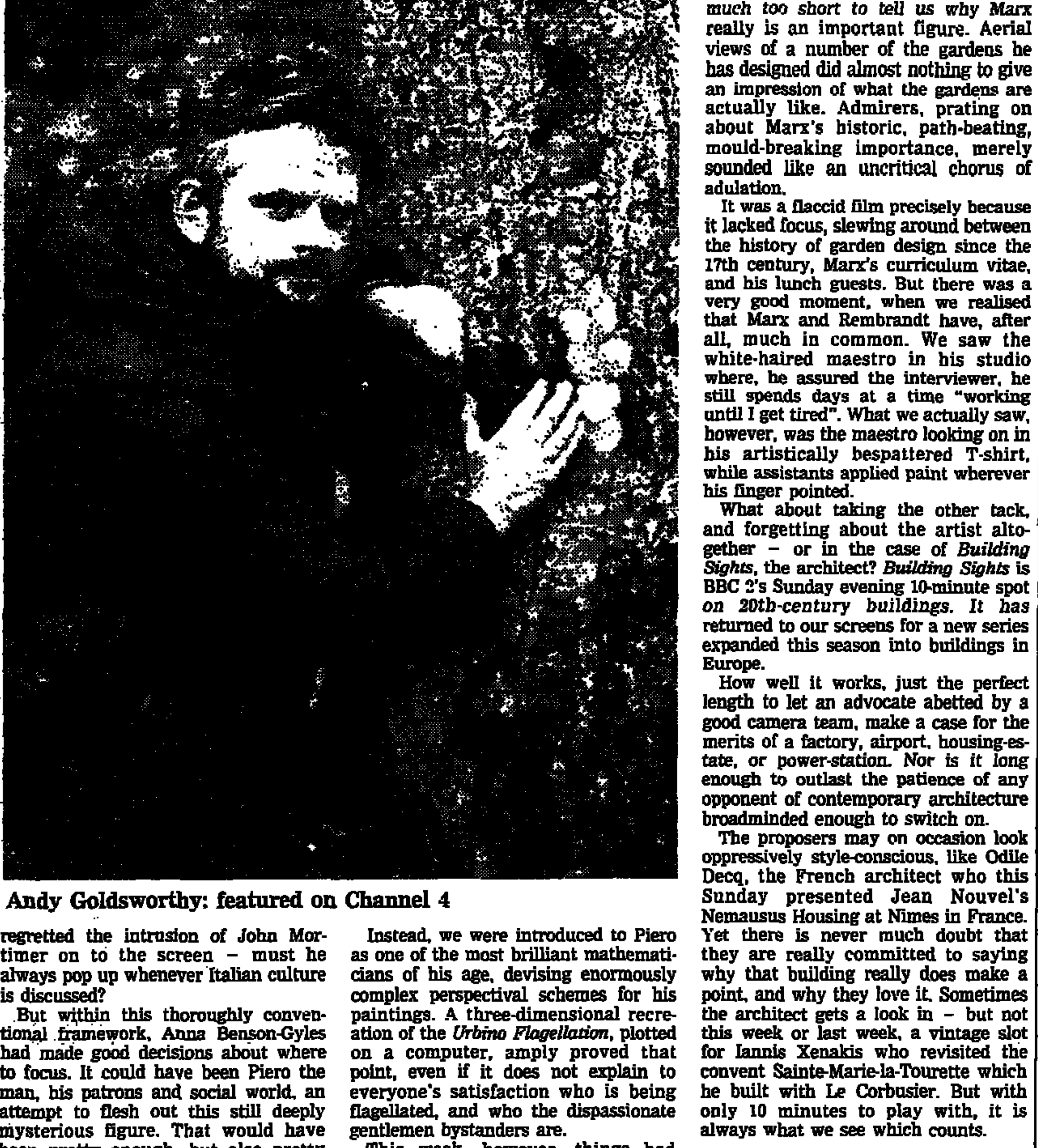
Producer Peter Chapman evidently had the services of a remarkably good cameraman and he in turn had the dream subject in Goldsworthy and his sculptures. Goldsworthy creates these in beautiful rural landscapes using leaves, pebbles, or strips of bark, siting them exactly so that they will be transformed by the first rays of sun in the morning, or the last light of sunset.

Fringes of Japanese maple leaves, stuck around a black rock, blaze gold or red. Banners of leaves hung on branches turn into translucent green and black chequer boards. Goldsworthy exploits nature as a theatrical experience, one which can be repeated perhaps only once more on the following day, if the wind and current has not already torn apart his work.

This film could itself quite properly be called a work of art. Here were beautiful images of the art-work and of the artist at work. Rather more unusually, here was an artist whose own commentary was genuinely illuminating – either that or he was so tightly edited that neither pomposity nor flakiness intruded.

So how, then, does Goldsworthy actually live, a viewer might ask? Well, for one thing he sells photographs of his sculptures. But as to the stages in his rise to fame, his relations with dealers and clients, the economics of Goldsworthy's autumn visits to a Japanese village, let alone his private life – these mundane matters *Two Autumns*, with blissful discretion, left quite out of the picture.

On that same rich evening you could have watched Omnibus (BBC 1), *The Piero Trail*, celebrating the fifth centenary of this generally beloved artist of the 15th-century Renaissance. This was a far more orthodox route into an artist's work, making ample use of "talking head" academics, architects and artists to appreciate Piero's art and adumbrate some of the problems it raises. They did well although I slightly regretted the intrusion of John Mortimer on to the screen – must he always pop up whenever Italian culture is discussed?



Andy Goldsworthy: featured on Channel 4

But within this thoroughly conventional framework, Anna Benson-Gyles had made good decisions about where to focus. It could have been Piero the man, his patrons and social world, an attempt to flesh out this still deeply mysterious figure. That would have been pretty enough, but also pretty obvious.

Instead, we were introduced to Piero as one of the most brilliant mathematicians of his age, devising enormously complex perspectival schemes for his paintings. A three-dimensional recreation of the *Urbino Flagellation*, plotted on a computer, amply proved that point, even if it does not explain to everyone's satisfaction who is being flagellated, and who the dispassionate gentlemen bystanders are.

This week, however, things had slipped badly out of focus for the Omnibus film celebrating Roberto Burle Marx who is a Brazilian landscape architect, garden-designer, town-planner, painter, and conservationist. Now in his eighties, Marx is evidently a real character. He likes to sing *lieder* accompanied by his wife and he gives superb Sunday lunch-parties at his matchlessly elegant house. Lots of elegant people attend and maybe they stroll about the matchless gardens. But of course, the main business is to gossip, laugh at Marx's jokes and eat his perfectly delicious food...

So all this is filmed, and eats into the 50 minutes which therefore becomes much too short to tell us why Marx really is an important figure. Aerial views of a number of the gardens he has designed did almost nothing to give an impression of what the gardens are actually like. Admirers, prating on about Marx's historic, path-beating, mould-breaking importance, merely sounded like an uncritical chorus of adulation.

It was a flaccid film precisely because it lacked focus, slewing around between the history of garden design since the 17th century, Marx's curriculum vitae, and his lunch guests. But there was a very good moment, when we realised that Marx and Rembrandt have, after all, much in common. We saw the white-haired maestro in his studio where, he assured the interviewer, he still spends days at a time "working until I get tired". What we actually saw, however, was the maestro looking on in his artistically bespattered T-shirt, while assistants applied paint wherever his finger pointed.

What about taking the other tack, and forgetting about the artist altogether – or in the case of *Building Sights*, the architect? *Building Sights* is BBC 2's Sunday evening 10-minute spot on 20th-century buildings. It has returned to our screens for a new series expanded this season into buildings in Europe.

How well it works, just the perfect length to let an advocate abetted by a good camera team, make a case for the merits of a factory, airport, housing-estate, or power-station. Nor is it long enough to outlast the patience of any opponent of contemporary architecture broadminded enough to switch on.

The proposers may on occasion look oppressively style-conscious, like Odile Decq, the French architect who this Sunday presented Jean Nouvel's Nemausus Housing at Nimes in France. Yet there is never much doubt that they are really committed to saying why that building really does make a point, and why they love it. Sometimes the architect gets a look in – but not this week or last week, a vintage slot for Iannis Xenakis who revisited the convent Sainte-Marie-la-Tourette which he built with Le Corbusier. But with only 10 minutes to play with, it is always what we see which counts.

Patricia Morison

Mark Vidol and Nicola Winterson at the Albany Empire in Deptford

Theatre/**Malcolm Rutherford**

Dutchman

If you would like to see a short crackerjack of a play at one of the most modern theatres in London, go to the Albany Empire in Deptford SE8 where there is an explosive production of *Dutchman* by Leroi James.

The piece was first performed in 1964 when racial tension in the US was at its public height. *Dutchman* contains the very best of American drama: it is sharp, cerebral, full of subtle changes of pace and ultimately violent. Hitchcock's *Strangers on a Train* will inevitably come to mind. So, in a more roundabout way, will Strindberg's *Miss Julie*, especially if you can imagine Miss Julie being played by a black, as once happened in South Africa.

Dutchman is about race, sex, class and language – the body language is quite as important as the spoken. A white woman enters a train in New York to join a black middle-class male. They have looked at each other before through the train window when she was still on the platform. He, in his suit and tie, is reading; she, with obvious symbolism, is eating an apple. She teases him, flaunts her sexuality, appears genuinely fond of him, but also accuses upwardly mobile, educated blacks of being Uncle Toms in a white society.

He hits back. The play ends with a fatal stabbing – I shall not say which way round. In the meantime, without anything much happening, we have been through all the racial, sexual and linguistic nuances that you can expect to see on a stage. In the background, but not obtrusive, there is the continual noise of the train. The stage seems to sway slightly, as trains do.

The train is a metaphor for an unfinished journey where strangers meet. Here are Americans talking to each other about race, sex and society, while also concealing thoughts, in a way that you will not find in a British writer. The other American play showing in London which has some of the same subtleties is John Guare's *Six Degrees of Separation*. *Dutchman*, written much earlier, is tighter and a minor masterpiece.

The man, who in his youth saw himself as a black Baudelaire, is played by Mark Vidol, the white woman by Nicola Winterson. She dominates the first half, but note also her physical reactions of subjection, longing, envy and rage when Vidol talks back in the second. She is just as good when silent.

I think that it is a mistake that there is a killing at the end. It raises questions that cannot be answered about motivation and whether the murder was premeditated. Far better if the couple simply walked away from each other, as passengers do at the end of a train journey. But no doubt even the best playwrights assume that there must be a dramatic climax.

If it has not been done before, *Dutchman*, which lasts for little more than an hour, would make a magnificent piece of television. Here on stage it is flawlessly directed by dein jones-ere, as he insists on calling himself in small letters. The Albany Empire belies its name. It is not one of those old Edwardian houses, but a remarkably pleasant modern hi-tech place opened by the Prince of Wales in 1979. Sadly, very sadly, on the opening night on Monday there were only 15 people in the audience. That did not deter the performers who deserve a full house. The nearest obvious landmark is New Cross underground station.

Albany Empire until October 29. 081-691-3333

New Music/**Andrew Clements**

Maxwell Davies & Muldowney

Peter Maxwell Davies took charge of the Royal Philharmonic on Monday in his new role as the orchestra's associate conductor/composer, a position he already holds with both the Scottish Chamber Orchestra and the BBC Philharmonic. He has promised his Sixth Symphony to the RPO for performance in 1996, their 50th anniversary. In the meantime he will conduct the orchestra in concerts and recordings, though his forays into the *mainstream* orchestral repertory remain unconvincing.

The programme combined Davies's own music with Sibelius – the tone poem *Tapiola* and the Violin Concerto, with Tasmin Little as the excellent soloist. Sibelius has been a potent influence on Davies's own music for the best part of two decades, from the First Symphony onwards, and it was fascinating to hear how, in *Tapiola* especially, he dealt with those elements that bear directly on his own later style – the continuous skeins of development, the saw-tooth waves of tension, the machine-like consistency of the momentum – without ever quite welding them into a unity.

Davies ended the concert with *An Orkney Wedding, with Sunrise*, arguably nowadays his most popular work, and conducted the first performance of a second suite drawn from his evening-long score *Caroline Mathilde*, written for the Danish Royal Ballet last year. The first suite of four movements (already available on disc) drew upon the first act of the ballet; the new one, lasting half an hour, contains seven numbers from Act 2 which chart the inevitable drift towards disaster of the heroine, wife of King Christian VII of Denmark, the execution of her lover, Struensee, and Caroline's own exile.

The music is skilful, effortlessly sustained; Davies's mingling of parody and pastiche with his own style is now utterly instinctive. But it is also far less pungent and memorable than it was: the music makes more accommodations with its audience, softens its edges, undercuts its irony. Even the final section of *Caroline Mathilde*, accompanying the queen's farewell to her child and her departure, is soft-centred, not at all bleak. The passacaglia that provides the second *pas de deux* for Caroline and Struensee, built from arching string lines, is the core of the suite and its strongest music, but even that power is diffused in later sections.

* * *

At the Barbican the London Symphony Orchestra's new season has already included two significant premières. The orchestra's first concert with Michael Tilson Thomas contained Colin Matthews's *Hidden Variables*, an orchestral expansion of an existing ensemble piece which pokes gentle and sometimes not so gentle fun at the 57 varieties of minimalism, while last Wednesday brought the first performance of Dominic Muldowney's Oboe Concerto, commissioned by the LSO for its principal oboist Roy Carter.

This is the third concerto by Muldowney to appear in less than a year, but it is far less intricate in construction than either the work for percussion or that for violin. Muldowney calls it a "Song-cycle for oboe and orchestra", and the impression is of an intensely lyrical work, a succession of deliciously suggestive inventions separated by brief recitatives. The solo writing keeps the oboe in its highest register for much of the time, while the accompanying textures are generally thin and crystalline; the technical demands, wonderfully mastered by Carter, are formidable.

The songs contain passing references to jazz and popular-song styles, dips into Debussyan impressionism and overripe Straussian romanticism (though the near-quote of the Redemption motive from *The Ring* is surely accidental). The single lack, perhaps inappropriate in an oboe concerto in any case, is of any real muscularity, as if in stripping out all his complex apparatus of rhythm and tempo Muldowney has jettisoned some of his more bracing aspects too. A small cavil, though; the piece is a major addition to the oboist's repertory.

RPO: Royal Festival Hall. LSO: Barbican Hall; Muldowney commission assisted by Sema Group plc.

Obituary

Denholm Elliott

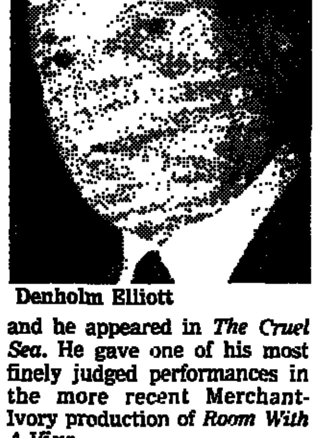
Denholm Elliott, the actor who typified the diffident Englishman, has died at the age of 70. His early career was in the theatre, with a West End debut in *The Guinea Pig* at the Criterion in 1946. However in the past 30 years it was cinema and television that made him so familiar. There have been times in the last decade when viewers might have thought that no single play or mini-series on the small screen, and no new British movie, was complete without a cameo performance from Elliott.

He was never a star, his own over-modest comment being "I was quite good looking and quite a good actor, I should have been a star, but perhaps it's the sex appeal I lacked." Yet the abnormally large amount of work pressed on him in an over-populated profession proved how highly he was valued. Whether playing a back-street abortionist in *Alfie* or a frighteningly recognisable caricature of a repressed suburban father in *Brimstone And Treacle*, Elliott invariably carried conviction.

Born into a family of lawyers, he was educated at Malvern, and served in the Second World War as a radio operator and gunner in the RAF. Shot down and held in a PoW camp, he formed a drama group called The No Name Players and thus developed his interest in acting.

With Ralph Richardson he shared a passion for fast motorbikes, and he enjoyed playing the stock market.

After the war he met Laurence Olivier in a production of *Venus Observed* and his career blossomed. David Lean used him in the 1949 film about jet aircraft, *The Sound Barrier*, and he appeared in *The Cruel Sea*. He gave one of his most finely judged performances in the more recent Merchant-Ivory production of *Room With A View*.



Denholm Elliott

He was married briefly to actress Virginia McKenna and then in 1962 to Susan Robinson with whom he had a son and a daughter.

Christopher Dunkley

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Martinu and Dvořák. Tomorrow (also Fri in Maastricht and next Wed and Thurs in Amsterdam): Riccardo Chailly conducts Royal Concertgebouw Orchestra in works by Ketting, Sciarrino and Stravinsky. Sat: Hartmut Haenchen conducts Netherlands Philharmonic in works by Beethoven, Brahms and Bartók. Sun afternoon: Howard Shelley conducts Elgar, Britten and Malcolm Arnold. Mon: Charles Mackerras and Orchestra of the Age of Enlightenment (6718 345)

Muziektheater 20.00 Offenbach's *Les brigands (also Fri and Mon).* Sat: Dutch National Ballet gives first of 15 performances of Peter Wright's production of Sleeping Beauty (6255 455)

■ BARCELONA

Tanz-Forum, the Cologne dance company, brings a triple bill choreographed by its director Jochen Ulrich to the Gran Teatre del Liceu from Fri to Tues. The next visitors will be the Hungarian National Opera between Oct 18 and 24 (412 3532)

■ COLOGNE

Philharmonie 20.00 Roland Seiffahrt conducts Offenbach's La vie parisienne, sung in German. Fri evening and Sun morning: Moravian Philharmonic Orchestra presents a Beethoven *programme*, with Homero Francesch soloist in the Fifth Piano Concerto. Sun: Heinrich Schiff conducts the Deutsche Kammerphilharmonie in works by Viotti and Beethoven. Mon: Halle Philharmonic Orchestra plays symphonies by Schubert and Bruckner. Tues: *Modern Jazz* Quartet. Wed: Czech Philharmonic Orchestra. Oct 18: Harnoncourt conducts Chamber Orchestra of Europe. Oct 19: Keith Jarrett. Oct 20: Alfred Brendel. Oct 21: Frans Brüggen *conducts Orchestra of the 18th* Century. Oct 24: an evening with Peter Ustinov (2801)

Opernhaus 19.30 James Conlon conducts Ian Judge's production of Macbeth (also Fri). Tomorrow: Pelléas et Mélisande. Sat: Carmen. Sun and next Wed: Rossini one-acters. Next Thurs: Tanz-Forum production (221 8400)

■ FRANKFURT

CONCERTS

James King, Gail Gilmore and other soloists join the Hessen State Radio Orchestra tonight in the Alte Oper for an evening of musical entertainment entitled America Forever. Tomorrow and Fri: Dmitri Kitaenko conducts the Frankfurt Radio Symphony Orchestra in works by Webern, Mendelssohn and Scriabin. Sat: Crosby, Stills and Nash. Sun morning and Mon evening: John Nelson conducts Berlioz's Symphonie Fantastique. Next Tues: Hartmut Haenchen conducts Netherlands Philharmonic in Beethoven, Brahms and Schubert. Next Wed: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe. Oct 30: Martha Argerich (1340 400)

OPERA/DANCE

The Opernhaus repertory includes Il barbiere di Siviglia (tonight, Fri and Sun) and an *evening of William Forsythe* choreographies (Sat). Oct 16: revival of Un ballo in maschera. Oct 31: new production of Die Fledermaus (236061)

THEATRE

The Schauspielhaus repertory includes Lorca's Dona Rosita la Soltera (1935), Shakespeare's Merchant of Venice and a play by Gerhart Hauptmann entitled Hanneles Himmelfahrt. A new production of Arthur Schnitzler's Das weite Land (Undiscovered Country, 1911) opens on Oct 18 (2123 7444). Frankfurt's English Theater has Peter Nichols' comedy Passion Play, daily except Mon till Nov 7 (2423 1620)

■ HAMBURG

OPERA/DANCE

The Staatsoper repertory includes Le nozze di Figaro with Bryn Terfel and Lucio Gallo (tonight, Sat and next Thurs), John Neumeier's Prokofiev ballet A Cinderella Story (tomorrow and Fri), Der Rosenkavalier with Lucia Popp (this Sun and next) and Neumeier's Mozart ballet Requiem (Mon, Tues, Fri and Sat next week). A new production of Die Walküre opens on Oct 25 (351721)

THEATRE

The repertory at the Deutsches Schauspielhaus includes Maxim Gorki's Vassa Shelesnova, Lessing's Emilia Galotti and Arthur Miller's Death of a Salesman. A new production of Shaw's Heartbreak House opens on Oct 24 (248713). Thalia Theater has a new production of King Lear opening on Oct 18. *Oct 23: an evening with Peter* Ustinov (322666)

■ NEW YORK

THEATRE

● Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, combined with an insparing portrait of the man himself (Virginia, 245 W. 52nd St, 239 6200).

● Jake's Women: Alan Alda stars in Neil Simon's new play about an ageing writer coming to terms with the women in his life, past and present (Neil Simon, 250 W. 52nd St, 307 4100).

● Distant Fires: a play about construction workers written by Kevin Heelan (Circle in the Square, 159 Bleecker St, 254 6330).

● Lost in Yonkers: Neil Simon's family melodrama, set in Yonkers during the Second World War (Richard Rodgers, 226 W. 46th St, 221 1211).

■ PRAGUE

CONCERTS

● Martin Turnovsky conducts the Prague Symphony Orchestra on Sun at the Smetana Hall. The orchestra also gives concerts on Oct 14, 15, 20 and 21 (232 2501).

OPERA/DANCE

● A new production of La forza del destino opens at the National Theatre on Sun. The repertory also includes Lucia di Lammermoor, Dvořák's The Devil and Kate and Die Zauberflöte (205364). The Estates Theatre *presents Don Giovanni tomorrow* and next Tues (228658).

● The Prague State Opera has performances of Swan Lake, L'Italiana in Algeri, Otello, Mignon, Entführung and Cosi fan tutte, daily except Mon. A new production of Les Contes d'Hoffmann opens on Oct 25 (269746).

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ STOCKHOLM

Royal Opera Tosca will be presented tonight. Tomorrow: Suppe's operetta Boccaccio. Fri: John Neumeier's ballet A Midsummer Night's Dream. Oct 13-17: guest performances by Finnish National Opera (248240)

Konserthuset Goran Wilson conducts the Stockholm Philharmonic Orchestra tonight and tomorrow in works by Ibert, Poulenc, Auber and Ravel. Sat: Stockholm Sinfonietta plays works by Ibert, Wiren, Bottesini and Beethoven. Next Wed: Leif Segerstam conducts Shnitke's First Symphony. Oct 19-25: Baltic festival featuring music and artists from Estonia, Latvia and Lithuania (244130). Oct 16, 17 in Berwaldhallen: Kurt Sanderling conducts Haydn and Bruckner (784 1800)

■ STRASBOURG

CONCERTS

Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra tonight and tomorrow in the Palais de la Musique, with René Kollo soloist in extracts from Wagner's operas. Oct 20: Kyung-Wha Chung plays Bruch's Second Violin Concerto (8837 6777)

OPERA/DANCE

Tanztheater Wupperthal visits the Theatre Municipal tonight and tomorrow with a show choreographed by Pina Bausch. Sat: Friedrich Haider conducts Tobias Richter's production of La traviata, with Sally Wolf as *Violetta. Further performances* on Oct 12, 16 and 18 (8875 4823)

European Cable and Satellite Business TV

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0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

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SATURDAY

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0900-0930, 1900-1930 World Business This Week - a joint FT/CNN production

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Sky News
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FINANCIAL TIMES
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Wednesday October 7 1992

Europe's Italian job

AS EUROPEAN leaders prepare for their emergency summit meeting in Birmingham next week, they risk paying insufficient attention to the crisis in one of the EC's most important members.

Italy is not the only EC state suffering a haemorrhage of market confidence, a plummeting currency and intense difficulties over public spending. But its problems, in these and many other respects, make those elsewhere in the Community look manageable. Unless the Birmingham meeting gives a convincing show of support for Mr Giuliano Amato, the country's weak but courageous prime minister, those problems could lead to such instability as to blow open the EC's southern flank.

In the three weeks since the lira and the pound were swept out of the exchange rate mechanism, other EC governments have been tempted to leave Italy to cope with its crisis alone. In some quarters there has been *Schadenfreude* at the self-inflicted wounds of a country which has for years been bankrupt in all but name; in others, relief at seeing an end to the make-believe of a state with a budget deficit nearly triple the EC average aspiring to join a monetary union within seven years.

These reflexes are understandable but wrong. Italy is a signatory of the Maastricht treaty and one, unlike Britain, clearly intent upon rejoining the ERM as soon as possible. This will not prove easy, but Italy has the right to expect that its partners will do everything they can to make it possible.

Bold first step

At the same time, Mr Amato and the Italian parliament have an urgent domestic agenda before them. First, parliament must approve the 1993 budget presented last week – by Italian standards a bold first step, yet only the minimum required if the state is to retain control over its finances.

The problem is that parliament is suffering from legislative indigestion and shows little sign of being ready to approve the measure before the end of November. With the lira under attack and a minor bank run last week, that is too casual a timetable.

The currency's effective 20 per cent devaluation against the D-Mark is in turn fuelling inflationary pressures and stirring unrest among the trade unions. Next Tuesday there is to be a four-hour general strike in protest at austerity measures, and union pressure is mounting for Mr Amato to reverse one of his best achievements: the agreement to end Italy's system of automatic wage indexation, the *scala mobile*.

A fresh explosion in wage demands would leave the government's budgetary strategy in ruins, destroy its hopes of EMS re-entry for the foreseeable future and bring closer the twin spectres of hyperinflation or default. Parliament and the unions need to realise that Italy faces a national emergency in which heavy sacrifices are required.

Unrelieved turbulence

Equally, the government cannot allow itself to become paralysed while waiting for approval of the budget. It needs to get on with sorting out the tangled affairs of state-owned enterprises in readiness for privatisation, a process which is still generating more confusion than confidence.

With markets in a state of unrelieved turbulence, Mr Amato needs above all to explain his policies clearly, to steer them through parliament with the maximum dispatch and to make it clear to Italy's European friends what they can do to help.

He has already asked the EC for a substantial standby loan to boost the lira and sustain confidence in plans for its return to the ERM. But he has failed to provide a proper explanation of what he wants the money for, and the suspicion persists that any loan would be used simply to repay the Bundesbank for funds it advanced during the ill-fated effort to prop up the currency last month.

Other Community governments are unlikely to accede to this request without a fuller idea of, and greater confidence in, Mr Amato's overall strategy. But neither the Italians themselves nor their partners should underestimate what is at stake. Italy is a founder member of the Community. It has always measured itself by European standards and, unlike Britain, has never contemplated any alternative identity. If it is now found wanting, the psychological effect will be profound. Even the unity of the state could no longer be taken for granted.

Well done, Chaps

IN A financial system that seems daily to get more fragile, any step to reduce risk is welcome. For the layman, however, it is not always an unalloyed pleasure, since it is often accompanied by a realisation for the first time of just how big the risks have been.

The decision by the UK banking industry to move towards a real-time system for settling large transactions is such a step, and creates just such a sense of mingled enthusiasm and dismay. The enthusiasm stems from the thought that the new system, when it comes into effect, will greatly improve the robustness of the UK's financial plumbing. The dismay stems from an appreciation of the scale of the risks the system has been running.

Chaps, the system that handles large UK payments – typically £2m or so at a time – works well at a technical level. The risk it runs, however, is well summed up by Mr Robin Leigh-Pemberton, the governor of the Bank of England, in a speech yesterday.

"The vast volumes of business being processed through the payment system" have led, he said, "to huge unmeasured intra-day exposures for banks, as a result of their willingness to give customers immediate use of incoming funds before being certain that inter-bank transfers would be settled." Such intra-day exposures can sometimes exceed the capital of the banks concerned.

They arise because big customers can withdraw incoming money within the day; banks are only certain that they will get the money when the settlement process has been completed at the end of the day. That settlement process takes place by netting off payments owed by one bank against those owed it by another. The net amounts are settled by drawing on the banks' accounts at the Bank of England.

Risk removed

Since the Bank cannot, as the lender of last resort, allow the settlement process to threaten the survival of a bank, it has become the implicit guarantor, at potential public cost, of private-sector transactions.

Hence the Bank's evident desire to nudge the banking industry towards a system which avoids the risk of a failed end-of-day settlement. It does so in a number of ways. By settling in real time – that is, instantly – it removes the risk implicit in delayed settlement. By settling gross – that is, by transferring the whole of each individual payment, not merely the net total of the day's transactions – it removes the unpredictable risks associated with netting.

City's image

In particular, it will remove the risk that the netting process might prove unsustainable under English law, in the event of a bank failure. London's image as a legally robust financial centre, already damaged by the local-authority swaps case, could scarcely survive another legal disaster.

Finally, by routing these real-time gross transactions via the Bank of England, it creates an explicit central bank guarantee of payment. Mirrored by similar developments elsewhere in the EC, and by the recommendations of an EC committee chaired by Mr Tommaso Padoa-Schioppa, this creates an opportunity to resolve the difficult issues that will arise in the creation of an integrated European payments system. This will be essential under European monetary union, and is probably inevitable in any case as a result of irreversible trends towards cross-border economic integration. Explicit central-bank guarantees of individual national payments systems allow them to be linked much less riskily than would otherwise be the case.

Still, for banks and their customers there will be a cost involved in all this virtue. Today's implicit Bank guarantee will be replaced by explicit Bank intra-day overdrafts – without an interest cost, but requiring banks to offer the Bank collateral.

It is perhaps not surprising that the tone with which the Bank greets this new dawn is slightly more enthusiastic than that used by the clearing banks. It would be a pity, however, if banks turned the proposed date for the introduction of the new system – 1995 – into a vague aspiration rather than a firm commitment. Appreciating the scale of the risks makes reducing them appear all the more pressing.

Government plans to privatise BR cannot meet competition, service and efficiency targets, writes **Richard Tomkins**

Signal failures of rail reform

However upbeat a note Mr John MacGregor, the transport secretary, may try to strike at today's Conservative party conference, the reality behind the privatisation of British Rail is that it is in danger of running into the buffers.

The government remains as determined as ever to drive through the legislation that will make rail privatisation possible: it hopes to introduce a bill in November and to complete the parliamentary process by next summer.

But as Department of Transport officials struggle to flesh out the bones of the white paper published in July, they are having to face up to the gloomy prognosis that the main aims of privatisation – more competition, greater efficiency and a wider choice of services – seem likely to translate into almost the opposite: local monopolies, even greater government subsidies, and the closure of both passenger and freight services.

The principal factor undermining the government's plans is the one that has made rail privatisation so difficult from the start: the fact that BR is heavily loss-making. Even after subsidies of more than £1bn for commuter and branch line services in the year to March 1992, it turned in a pre-tax loss of £145m.

A wholesale sell-off in the manner of other privatisations is therefore seen as impracticable. Instead, the government has decided to leave the railway tracks with BR and pursue a less ambitious notion of getting the operation of the trains into private hands. Its three-pronged plan is to sell BR's freight train operations outright; to franchise out the operation of the passenger services; and to encourage the private sector to start up new passenger or freight train services in competition with existing ones.

Private sector involvement apart, the biggest innovation is the separation of the ownership of the trains from ownership of the tracks. After privatisation, the BR residuary body looking after the tracks – to be called Railtrack – will be required to operate on a commercial basis, earning a return on its assets by charging train operators for the use of its lines.

The terms on which operators get access to the tracks are crucial to the success or failure of privatisation because they will largely determine whether there is any money to be made from running trains. But it is increasingly clear that any terms acceptable to train operators are likely to be in conflict with privatisation's main objectives.

Take freight. At present, BR will carry almost any traffic provided it helps offset fixed costs. Customers are charged according to their ability to pay, with the result that some traffic makes only a small contribution to fixed costs while other traffic makes a comparatively large contribution.

All this will change with privatisation. When the time comes for Railtrack to set out the track charges for private sector freight train operators, it may decide that the fair way to do so is to divide the track costs evenly between them. But this will mean that the traffic previously making small contributions to fixed costs will suddenly face much higher charges and become unviable, while the traffic that was previously making big contributions will enjoy a sudden fall in charges. One effect will be a loss of the marginal freight traffic to the roads; another, a downturn in Railtrack's revenues which will have to be made up by higher charges to other track users.

One answer to this conundrum is to let Railtrack stick to the old system and charge what the market will bear. But it cannot, because under an EC transport directive governing access to the railways from January next year, the new track-charging regime is required to be non-discriminatory. Any attempt to introduce differential pricing would therefore provoke complaints to Brussels under EC competition law.

The problems on the passenger side are still more fraught. Many of them are attributable to the government's determination to introduce competition to the railways by offering open access to all.

Take, for example the hypothetical case of a company called TrainCo bidding for the franchise to operate the InterCity line between London King's Cross and Edinburgh. Once it has established what it must pay Railtrack for the use of the tracks and BR for the rental of its trains, TrainCo should be ready to launch its bid.

But wait: what about open access? The government has said it wants to encourage competition by allowing other train operators to start up services alongside existing ones. Entrepreneurs, however, would only be interested in attacking the most lucrative services: in TrainCo's case, for example, they would probably want to operate a service 10 minutes ahead of the Flying Scotsman. So franchisees like TrainCo would have their profits attacked on the most lucrative services while still being obliged to run the other less profitable or loss-making trains.

The same problem applies equally to subsidised services such as Network SouthEast's commuter operations. The government has said there will be negative tendering for loss-making services: in other words, franchises will go to the companies requiring the smallest subsidies. But not every train within an unprofitable service loses money, so entrepreneurs might still be tempted to enter the market and pick off profitable niches. The franchisee would then face even bigger losses on the remaining services.

Two conclusions follow from the problems posed by open access. If the government holds fast to its commitment to open access, either the private sector will decline to bid for franchises altogether, or it will bid very small sums for the profitable franchises and require very large subsidies for the unprofitable ones. The result will be a big increase in the burden on the Exchequer. The only obvious alternative is to abandon open access and make the franchises exclusive: but that would defeat the government's intention to provide for on-rail competition.

There is worse, from the passengers' point of view: at least, that is, for passengers living on the branch lines of Scotland, Wales and south-west England. Once Railtrack is in operation, the heavy cost of keeping these branch lines open will become transparent because Railtrack will be charging the whole of the cost to their users. The result would be to put the future of the lines in doubt.

Take, for example, the line from Inverness to Wick in the far north of Scotland. The costs of operating and maintaining this 161-mile line – not presently divulged by BR – must be colossal; yet it carries only three trains daily each way, each of just two carriages. Any franchisee taking on the service would have to meet the whole of the track costs from the revenues from these three small trains.

The train operator's losses would not only be vast, but would also be exposed to public scrutiny through the size of the subsidy required by the franchisee to take on the service. Once this happened, and it became clear that considerable sums could be saved by shutting the line and providing all its passengers with chauffeur-driven limousines instead, closure could become impossible to resist.

Where subsidies are concerned, the prospect of line closures might suggest that the Treasury would gain from rail privatisation. In fact, it will almost certainly not: indeed, Whitehall sources indicate that the Treasury has already resigned itself to providing higher subsidies as a result of rail privatisation.

One reason already touched upon is that the levelling of freight charges will cause marginally profitable traffic to disappear, while traffic that made a big contribution will enjoy a reduction in charges. Another is if open competition on the passenger lines leaves private sector entrepreneurs to cherry-pick the most lucrative services and keep the profits for themselves, the taxpayer will be left with an even bigger bill for subsidising the remaining services.

In theory, these influences should be offset by efficiency gains from the private sector's involvement. But in practice, with Railtrack remaining a public sector monopoly and most of the passenger services remaining subsidised, there appears to be little scope for market forces to be brought to bear. Besides, the new structure will also have to carry the costs of the bureaucracies being created to serve it: Railtrack, the director general of Railway Regulation, the Passenger Railway Franchising Authority, and the operator licensing functions of the Health and Safety Executive, to name but four.

Not all of privatisation's problems are insuperable. With freight charges, for example, some of the worst aspects of non-discriminatory pricing might be partially alleviated by establishing a range of price bands for different kinds of traffic. The aim would be to persuade the competition authorities that each kind of traffic constituted a separate market and therefore warranted a differential pricing regime.

Some kind of fudge may also salvage the vestiges of open access. Any idea of different companies' trains competing simultaneously for the same passengers is out of the question, but it is just possible that some new services could be allowed onto the tracks provided they did not undermine the viability of existing ones by replicating them too closely.

Even so, the reality of privatisation is in danger of falling far short of expectations. Insofar as privatisation brings any changes at all, they may be slow to arrive and almost imperceptible in their effects. Indeed, from this distance it is looking increasingly probable that the disadvantages will outweigh the benefits.

So has the government chosen the wrong structure for privatisation? Probably not. Given the scale of BR's losses and the difficulties of trying to reconcile its commercial objectives with its social obligations, any "Big Bang" sell-off of the railway, in whole or in parts, would probably have raised even more problems.

Many of the difficulties outlined above, however, would evaporate if the railways could be made profitable. One reason why they are not so is that they cannot compete with roads which are free at the point of use. Significantly, transport ministers have been talking with more than usual enthusiasm in the last few days about the possible advantages of road pricing – that is, introducing a charge to vehicles for use of the busier roads. What Mr MacGregor says about that today may ultimately be more significant for the future of the railways than anything he says about privatisation itself.

An open commitment

Gordon Pepper and **Anthony Harris** call for more transparency in British monetary management

The crisis of confidence which has undermined sterling in the past few days is mainly due to uncertainty about government policy. Yet in countries where monetary policy is not under political control, political difficulties do not normally turn into financial crises. This has led to proposals that the Bank of England should be made independent.

We doubt whether this would, of itself, solve the British problem, which is not due only to political interference. The monetary regime has changed frequently and radically over many years, with little success. Monetary targets have regularly been missed. Decisions are made in secret, and are seldom explained, so market doubts go unanswered.

Monetary targets will now take the place of exchange rate discipline; but the same forces which have driven Britain out of the ERM will make monetary control more difficult. International flows distort the monetary aggregates in ways which are not yet fully understood, and floating exchange rates have proved very hard to stabilise.

The government further proposes that targets should include not only the exchange rate, but also broad and narrow measures of money, and housing and other asset prices. These indicators look well chosen, and would have alerted the authorities to many recent problems. But though the approach is described as new, it is essentially the traditional British system, and revives an old problem.

It is impossible to keep multiple targets always in the sights of a single weapon, the interest rate regime. Something on the list will always look out of line; and sometimes objectives will be incompatible, as they are now. Policy cannot both support the exchange rate, and reduce real interest rates so as to relieve debtors and restore the growth of credit and money. Policy must be a compromise.

Market acceptance will, therefore, depend on restoring confidence in official judgment. That is the aim of our proposal: to enable the markets to monitor the reasoning behind policy decisions, and to strengthen the policy process by bringing in well-regarded outsiders.

● **Proposal:** the UK should set up an Open Market Committee (OMC), similar to the FOMC of the US Federal Reserve. This would have full executive responsibility for monetary policy.

At the moment the chancellor is nominally responsible, but the Bank and Number 10 Downing Street make their own inputs. When any policy fails, the buck passes rapidly round this triangle; this may be intended to protect reputations, but further undermines confidence. An OMC could not disown its decisions in this way;

● **Publication:** honest differences of opinion will always arise in matters of policy. The market is likely to have more confidence in decisions – even those which prove mistaken – if it knows what facts and interpretations were involved in reaching them.

The minutes of the OMC should, therefore, be published after a minimum delay, as are those of the FOMC (six weeks in arrears). They should report the sometimes dissenting views expressed in reaching a decision, and should also include the committee's assessment of each of the indicators for policy, with full explanation if any is judged misleading at the time. We believe that disclosure on these lines would increase market confidence, partly by reducing uncertainty;

● **Outside directors:** British monetary policy is managed by a committee of Bank and Treasury officials. It usually maintains an outside appearance of unanimity and confidence. This has never been fully convincing; at a time when policy has gone off the rails, and leaks tell of furious internal arguments (as after every British crisis), the pretence simply undermines confidence further.

Compared with this, the federal structure of the US and German central banks has important advantages. The heads of the Fed districts and the Landesbanks have their own power base, their own local information, and they often hold strongly independent views which are widely known. This assures markets that policy decisions are fully informed and largely politician-proof. It would be hard to imitate such a structure in the UK; but some of the same advantages could be secured by including outside directors or advisers in the OMC. These "non-executive directors" should not be officials either of the Bank or of the Treasury. As "insiders", they could not be active in the City during their time on the OMC.

They would have a threefold role: to ensure that policy-making is fully informed about private-sector views and problems; to ensure that the OMC minutes convey meaningful information about policy decisions; and to act as potential whistle-blowers if they strongly disagree with the OMC consensus. They should be encouraged to propound and debate policy in public, as do the directors of the Fed and the Bundesbank;

● **Execution:** the OMC would steer policy, and answer for it; but day-to-day execution would remain in the hands of the Bank.

We believe this structure would improve the operations of an independent Bank of England. It would be even more important if the Bank is not made formally independent.

Gordon Pepper is professor of financial markets at City University Business School; Anthony Harris is an FT columnist.

Edward Mortimer

East of Maastricht

The Czecho-Slovak duet is made even more discordant by efforts to stay in tune with the EC

FOREIGN AFFAIRS

Mr Vaclav Klaus, prime minister of the Czech Republic, makes no secret of his admiration for Lady Thatcher, the former UK prime minister. It is not surprising to learn, therefore, that he is a Euro-sceptic, who regards the treaty of Maastricht as "a nightmare", and places more faith in bilateral relations with individual west European countries than in the EC as such.

So, at least, it is confidently asserted in diplomatic and political circles in Prague. But Mr Klaus has yet to go public with this view, even if he gave a broad hint when, asked for his reaction to the French referendum result, he said that a very narrow Yes was practically equivalent to a No.

Why should Mr Klaus be coy about his views on European Union? First, because Czechs in general, and his own Civic Democratic party in particular, are determined to "return to Europe" after the long years of communism which kept them away from what they regard as their natural home in the west. Second, because Mr Klaus himself has espoused a special relationship with Germany as the means to achieve this.

Both considerations make it impolitic to denounce Maastricht, unless and until the west Europeans, especially the Germans, should decide to abandon the project. Czechs do not wish to be thought of as half-hearted or lukewarm Europeans. Therefore, so long as Maastricht is the official EC blueprint for what Europe will look like at the end of the century, they feel the need to proclaim that it also defines their long-term objectives, and that they will be more than happy to accept its constraints.

When it comes to relations with the Slovaks, however, the Czechs find this argument cuts both ways. On the one hand, they fear that being yoked to the Slovaks may dilute their "west European" credentials and hold them back in their rush to embrace the capitalist way of life. On the other hand, it is hard to explain why they are opposed to a union or confederation with Slovakia when they claim to be in favour of a pan-European union as defined by Maastricht.

Thus Mr Milos Zeman, the Czech Social Democrat leading the opposition to the break-up of Czechoslovakia, made a shrewd move last week when he proposed to transform the present federation into a Czecho-Slovak Union on the Maastricht model, which would come to an end on the day that the Czech and Slovak republics join the European Union itself.

To Mr Klaus's fury, the Czechoslovak Federal Assembly passed a resolution to draw up plans for such a union, after his own proposal on the procedure for dissolving the federation, agreed with his Slovak counterpart, Mr Vladimir Meciar, had fallen just short of the required three-fifths majority.

Many Slovaks turned to Mr Meciar (right) for protection from what they saw as the anti-Slovak policy of Mr Klaus

The Klaus-Meciar proposal was defeated by an alliance between the Czech left and the various opposition parties in Slovakia: Christian Democrats, ex-communists and representatives of the Hungarian minority. But most of Mr Meciar's supporters then switched sides and voted for Mr Zeman's "union", which sounds very like the "confederation" formerly proposed by Mr Meciar.

The Slovaks seem likely to end up with an independence more complete, and more uncomfortable, than they desired

Mr Klaus has consistently rejected the idea of a confederation, arguing that no halfway house is possible between the present federation and two fully independent states. He does accept that the two should form a customs union, but rejects any notion of joint institutions or shared sovereignty, whether in the field of defence and foreign policy or of economic, social and environmental affairs. Even the single currency he would maintain only for a short transitional period.

Mr Klaus's overriding fear is, evidently, that the success of his bold, free-market policies in the Czech Republic would be endangered by the need to subsidise a more protectionist and interventionist Slovak government. The radical economic strategy he adopted as federal finance minister in 1990-92, coinciding with the loss of cheap energy supplies and captive markets in the former Soviet bloc, has had traumatic effects throughout the country. Czechoslovak industrial output fell by 23 per cent in 1991, and a similar figure is projected for 1992. Investment, hampered by tight credit restrictions and high interest rates, was cut in half in 1991, while consumer prices rose more than 50 per cent.

Admittedly this was a low rate of inflation by Russian or even Polish standards, and this year it has fallen to less than 1 per cent per month. But while many individual Czechs have taken to capitalism with gusto and are visibly affluent, the incomes of the majority have not caught up with prices.

Thus even in the Czech Republic Mr Klaus's policy is fraught with social risk and political difficulty. He needs both time and a favourable international climate for it to show dividends.

But Slovakia – which had a high concentration of uneconomic heavy industries geared to the Soviet market, and lacks the advantage of proximity to Germany – is far worse placed to cope with the effects of such policies. Unemployment, especially, has risen much more sharply in Slovakia, and this has led many Slovaks to see Mr Klaus's policy as an anti-Slovak conspiracy against which they need protection.

Mr Meciar seemed to offer that. He promised to secure greater autonomy and to pursue an economic policy more suited to Slovak conditions. He also offered emotional compensations to a people with an acute inferiority complex: for 70 years the Slovaks have been alternately taken for granted or talked down to by the Czechs, while the rest of the world has ignored them, using "Czech" as an abbreviation for "Czechoslovak".

The Slovaks may fairly be accused of wanting the best of both worlds: the trappings of national sovereignty, combined with the security of federation. They seem likely to end up with an independence more complete, and far more uncomfortable, than they desired.

Unhappily it may have been President Vaclav Havel who gave Czechoslovakia the *coup de grâce*, with the televised address in which he solemnly warned the Slovaks against voting for people with dictatorial tendencies – meaning, quite clearly, Mr Meciar. This had the opposite of the effect intended, drastically reducing his own popularity in Slovakia and boosting Mr Meciar's. Not surprisingly, Mr Meciar and his supporters responded, after the election, by blocking Mr Havel's re-election as federal president.

Mr Havel, for his part, has not concealed his disillusionment with the Slovaks: he even lamented publicly that 70 years of Czech efforts to civilise them and "bring them to the west" had been in vain – thus perfectly illustrating the Czech attitude that Slovaks object to.

He is now pinning his hopes on being the first president of the Czech Republic, for which he will need Mr Klaus's support. He no longer insists that a referendum be held before the federation is dissolved; and at a press conference last Saturday he poured scorn on the proposal for a "union". There was no case in history, he said, of a federation being replaced by a union; and added – in a curious but revealing *non sequitur* – that "Maastricht is really a federation".

Mr Havel is undoubtedly a more genuine enthusiast for European Union than Mr Klaus. Indeed, he proclaimed his belief that the process of European integration would, in time, bring the Czechs and the Slovaks together again. Yet, in order to toe the line that no halfway house is possible in the Czecho-Slovak context, he feels obliged to assert that none exists, even in the European context.

LETTERS TO THE EDITOR

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Not quite so rosy a picture

From Mr Brian Reading.

Sir, Mr Fisher (Letters, October 6) seems to have rosy memories of travelling on the continent in the 1950s. I am old enough to remember that, while Germans, French and Italians seemed poor, we British tourists seemed even poorer. We were free then to spend only (I think) about £30 a year abroad, our travel allowance under British exchange controls. I still have my original passport, recording all money exchanged into foreign currency and any changed back. Although £30 was worth a lot more then, it did not go all that far.

Brian Reading,
83 Shakespeare Tower,
Barbican, London EC2Y 8DR

Variations in the prices of Japanese cars can be 'huge'

From Dr John Bridge.

Sir, It should come as no surprise that there is a substantial price differential for the Primera between the Japanese and UK markets ("Go to Tokyo, save £2,840 on a UK-built Nissan", October 5).

The prices of Japanese cars show huge variations between the low-price markets of Japan and the US on the one hand, and the high-price markets of the EC on the other. European manufacturers, too, are obliged to sell at competitive prices in Japan and the US.

A survey of Japanese models in the Primera size class, from two rivals of Nissan, conducted by CAIR in February 1992, revealed the following index of pre-tax advertised prices for four markets: Japan 100; US 103; France 141; UK 153.

Depreciation of the pound and the dollar have changed the picture somewhat to give a revised index as at October 2: Japan 100; US 99; France 148; UK 147.

The US now appears as the cheapest country in which to buy a Japanese make in this size class, while post-ERM Britain is now marginally less expensive than France. Discounts do help to redress the balance to a limited extent when comparing the UK with Japan, but not with the US. Once taxes are added, consumers in Britain can expect to pay 50 per cent more than Japanese purchasers of similar vehicles, in most instances.

The differential for the Nissan Primera eGT, reported in the FT, is very modest by this standard. In the leading car markets of the world, it is the American consumer, benefiting from bigger discounts than his Japanese counterpart, who probably enjoys the best bargain of all.

If Primeras from Sunderland were sold in the US, I am confident that this pattern would be repeated.

John Bridge,
Centre for Automotive Industry Research,
Cardiff Business School,
Colum Drive,
Cardiff CF1 3EU

Better values to chew over

From Dr John Pitts.

Sir, Observer's patronising missive about Singapore ("Home truths", October 1) simply ignores the values offered by the country which for most families have a higher priority than Cosmopolitan, chewing gum and the dubious merits of western television.

Families who move to Singapore enter a life with a significantly enhanced disposable income, greater responsibility for their affairs and their actions, excellent and improving health and education facilities, clean, safe streets and mainly polite, happy inhabitants. Singapore is a miracle of the age and Lee Kuan Yew the mastermind of that miracle. What he has produced is a far greater testament to family values than citizen's charters and the American dream! Instead of carping criticism, we could do much worse than adopt some of the policies which have enabled Singapore to succeed. My family has two Singapore-born members and we have very happy memories of our four years there.

John Pitts,
3 Fellows Yard,
Plumtree,
Nottingham NG12 5NS

Discriminating against UK

From Mrs Mary Dalmahoy.

Sir, I am Mrs Absolutely Average working mother with two children and a business to support and I spend discriminatingly as follows:

Shoes: Italian or French.
Washing machine: Swedish.
Dishwasher: German.
Car: German.
Clothes: 80 per cent Italian or French, usually from Japanese-owned department stores.
Television: Japanese.
Fax: Japanese.
Furnishings: German or French.
Computer: American.

I buy design and quality. The price of many of the above could increase 50 per cent or more before I would seriously consider the inferior domestic alternatives.

The anecdotes multiply. "People still have money to spend," it is said, "but there's nothing new to spend it on." Is the trouble with British manufacturing not the level of interest rates, nor anything else, but simply the lack of well-designed high quality product?

Mary Dalmahoy,
Manager and Executive Development Services,
85 More Close,
London W14 9BW

Clinton in position to balance US budget and lift recession

Mr William C Danvers.

Sir, Your editorial, "Time to assess Mr Clinton" (September 25), correctly points out that Governor Clinton, like Harry Truman and John Kennedy before him, should not be considered to be at a disadvantage with respect to foreign affairs. He is quick to study and has surrounded himself with a number of key foreign policy advisers from various points on the political spectrum.

More importantly, he has shown a keen understanding of the need to inject some economic realism into foreign policy. This may be the reason you expressed doubt over his approach to trade, referring to "disturbing protectionist undertones". In the cold-war era, trade and economic policy took a back seat to American foreign and security policy considerations. This is changing, and Governor Clinton is right to respond accordingly. But this should not be mistaken for creeping protectionism.

You also point out that those who wish to see the US budget deficit reduced have reason to fear a Clinton presidency. The opposite is more likely to be true. In much the same way that it took a Republican like Richard Nixon to go to China, it will probably take a moderate Democrat like Bill Clinton to begin in earnest the process of balancing the budget.

Presumably he will have a Democratic Congress to work with and the full support of the American people. If he can take advantage of both of these opportunities in a timely fashion, there is hope that the US could finally tame its runaway budget deficit.

At the same time, he will likely shift spending priorities toward helping US industry and creating economic growth. Bill Clinton will not be afraid to have the government work with the American business community to make it more competitive. This is not a question of picking winners or losers. It is a question of the US government forming a working relationship with business and industry.

In fact when adding things up, Bill Clinton is in the best position both to balance the budget and to lift America out of its recession by creating new economic growth.

William C Danvers,
110 S Buchanan Street,
Arlington, Virginia 22204,
US

OBSERVER

Claes clubs citizens

■ Mystery solved. It was Willy Claes, the Belgian foreign minister, who rubbished John Major's latest wheeze to bring the European Community closer to the European citizen.

British officials had been coy about the reaction to Major's idea that EC leaders should be given five minutes at the Birmingham summit on October 16 to explain in public their views on the future of the EC. One member had been "unenthusiastic", said the man from the FO.

Claes, it can be revealed, told his fellow EC foreign ministers in Luxembourg he was unconvinced that a barrage of speechlets by heads of government could solve the EC's image problem.

Several others shared Claes' view. "Desperation" was the verdict of one foreign observer. Another EC diplomat dismissed the idea as "just a gimmick for domestic political consumption in Britain".

And there's the rub. It may be that European leaders are so concerned about the state of public opinion in Britain about the Maastricht treaty that they might just approve the idea. Says the man from the FO: "It's certainly put the cat among the pigeons."

Wrong angle

■ Meanwhile, it was surprising that an old media hand like Sir Norman Fowler, the Tory party chairman, did not spot the problem in advance. Douglas Hurd's rousing conference speech on Europe was marred by much hissing from the floor. It seems that this had more to do with Sir Edward Heath's picture, which kept on flashing up on the big conference screens, than Hurd's delivery. Each time the conference cameras picked up Heath, the Euro-sceptics showed their disapproval.

No comment

■ Treasury boss Sir Terry Burns' plans to shake off his department's obsession with secrecy, hatched at a special meeting of Treasury mandarins on Monday, has been slow to take root in the organisation's pr department. Fed up with the constant carping about the Treasury's management style and forecasting mistakes, Sir Terry is keen to swap ideas with the outside world. However, the Treasury's press office refused to talk about the initiative yesterday because it was "an internal matter".

Banking on it

■ When it comes to working the old boy networks, retired central bankers are in a league of their own. An ex-chairman of the Fed, or former Governor of the Bank of England, is an asset to any company letterhead.

Take Karl Otto Pöhl, who surprised everybody by stepping down from the Bundesbank presidency last year. A partner in the respected Cologne private bank of Sal Oppenheim and a member of JP Morgan's International Council, he's collected an impressive portfolio of non-executive directorships such as Unilever, Robeco, Royal Dutch Shell, Bertelsmann, Zurich Insurance, etc, etc.

His latest job is deputy chairman of the curiously-named Corange, a Bermuda-based holding company for the successful German health care concern, Boehringer Mannheim. Corange is French for Engelhorn (angel horn), the name of the German family which owns the group.

And guess which consultancy thought up the idea for the new independent board? Why the Zurich-based Leutwiler & Partners headed by Fritz Leutwiler, former head of the Swiss National Bank and the Bank for International Settlements.

"It has 'Don't panic' written all the way through it"

Numbers game

■ Manchester United, the quoted football club, has come up with a novel way of publicising its most valuable collection of intangible assets – its players – without putting such delicate items on its balance sheet.

It has hired accountants Touche Ross to give an independent valuation of its 22-strong first team, plus 15 young professionals. They reckon the squad's worth £24m. Looked at another way, investors own 197p of player for every share held. This is in addition to the conventional net asset backing of 344p and means that the shares, at 289p, should remain well outside the penalty box.

Touche's credentials lie in its aptly named Touche Ross Football Industry Team, captained by Gerry Boon. He says it's illogical for clubs to spend a lot of money on players – United's first-team squad cost £17m to put together, leaving aside the home-grown talent – and not to recognise their value.

Warm glow

■ Know your Financial Times, part 105. Back in February, Observer commented on a window-dressing technique perfected by Harvey Nichols, the Knightsbridge department store, which had commissioned some eye-catching sculptures made out of 100,000 old copies of the Pink'un. Jolly good they were too.

Now a budding French artist, Josette Dacosta Bray, writes to say that she finds old copies of the FT glued together to be the ideal base for her acrylic paintings. She needs a base that is "simultaneously rigid and dynamic" and after experimenting with various journals she picked the FT because of its "broadsheet format and warm salmon-pink colour".

In return for this endorsement Observer feels duty bound to give a plug to Bray's exhibition at the French Cultural Centre in Oxford from October 23, especially since her husband, Nicholas, works for the FT's rival, The Wall Street Journal Europe.

Wrong guy

■ A television review on Friday about "A Question of Attribution" on "Masterpiece Theater" misidentified a British spy. He was Guy Burgess, not Anthony Burgess.
New York Times, October 5.

FINANCIAL TIMES
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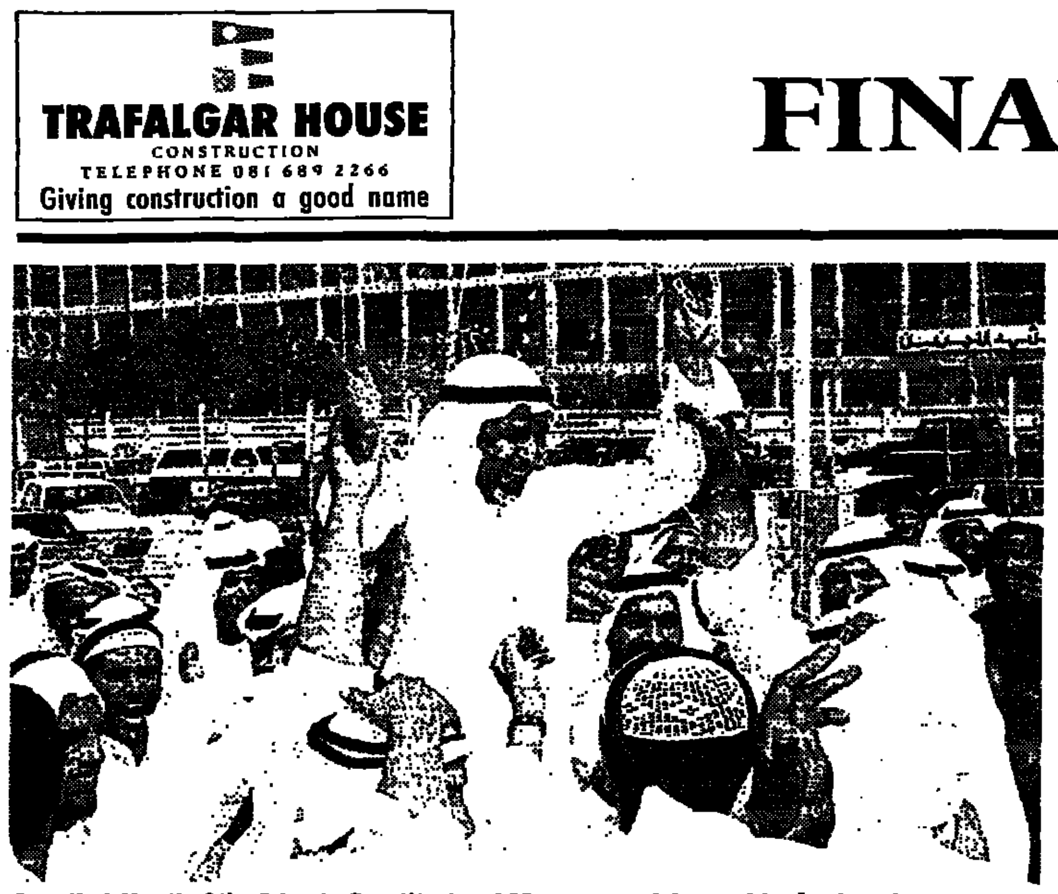


Ismail al-Shatti of the Islamic Constitutional Movement celebrates his election victory

Kuwait opposition wins majority in assembly

By Mark Nicholson in Kuwait City

KUWAIT's political opposition has capped the most vigorously fought election campaign in the emirate's history by winning a surprisingly substantial majority in the country's 50-seat national assembly.

Almost all Kuwait's leading opposition figures won seats in what promises to be a fiery and awkward assembly for the ruling al-Sabah family. The assembly will be the first full parliament since Sheikh Jaber al-Sabah, the emir, suspended the last for its obstinate opposition to the government in 1985.

Judged on the basis of candidates' campaign platforms, at least 30 outright government opponents will sit in the assembly including representatives from secular and Islamic opposition groups and several influential independent critics of the government.

At least 18 elected candidates are directly linked to opposition Islamic groups, particularly the moderate Sunni Islamic Constitutional Movement and the more conservative Salaf, while 12 are broadly liberal opposition figures, including two high-profile members of the Kuwait Democratic Forum, Mr Abdulla Nibari and Mr Ahmed al-Khatib – who drew crowds of up to 8,000 at some rallies.

Information ministry officials put the turnout at 85 per cent of Kuwait's 81,400 voters, after an uncommonly outspoken campaign. However, the opposition's strong showing is certain to herald a period of tough political haggling.

Immediate horse trading will centre on the appointment of a new cabinet, which Sheikh Saad al-Sabah must name within 15 days of yesterday's formal resignation of the sitting cabinet. Opposition leaders are already demanding that at least half the cabinet must be formed from government critics in the National Assembly – a step the government has always been deeply reluctant to take.

Failure to meet opposition demands would almost certainly provoke an early confrontation in the new assembly, which will open the first eight-month term of its four-year tenure later this month.

Whatever the make-up of the cabinet, the assembly is certain to raise a host of other potentially uncomfortable issues for the government.

High on the list of these are calls for an examination of the government's conduct leading up to the invasion of Kuwait in August 1990, along with popular demands for a probe into the management of Kuwait's overseas investments – and the conduct of some of its managers – and the pursuit of several senior figures believed still to owe large sums following the 1982 collapse of the informal Souq al-Manakh stock market.

Islamic groups are also seeking to change Kuwait's founding 1962 constitution by inserting an article stating that Islamic Sharia law shall be the "sole source" of legislation. The constitution now describes Sharia as a "main source" of Kuwait's laws. Observers suggest that the Islamic groups are unlikely to win the two-thirds majority necessary to effect constitutional change.

But few doubt that the opposition will rally strong support on most of the election campaign's significant issues. At the same time, it would be very difficult for the emir simply to suspend a troublesome parliament.

Conference attack on Major over Maastricht

By Philip Stephens, Political Editor, in London

UK prime minister John Major yesterday scraped over the first hurdle on the road to British ratification of the Maastricht treaty. But in a withering attack on the prime minister from the floor of the ruling Conservative party's annual conference, Lord Tebbit, former party chairman, threatened to plunge the party into civil war.

After a heated debate in Brighton which also saw Mr Douglas Hurd, the foreign secretary, warn that the party could "break itself" over the issue, the prime minister won a four-to-one majority for his stance.

Senior colleagues said Mr Major was now determined to bring the Maastricht legislation back to the House of Commons by the end of this month, even if the detailed examination of the bill had to be deferred until early next year.

But during the angriest exchanges seen at a Tory conference for more than a decade, Lord Tebbit exposed the divisions which have dogged the Conservatives since they forced the then Mrs Margaret Thatcher's resignation two years ago.

In a performance which played to the nationalism of the Tory party faithful, Lord Tebbit threatened at one point to turn the conference against Mr Major. More than a third of the representatives rose to their feet to cheer his demand that: "This conference wants policies for Britain first, Britain second, and Britain third."

As Mr Major sat grim-faced on the conference platform, Lord Tebbit won a standing ovation from large sections of the audience for a speech which derided the prime minister's economic policy and flatly condemned Maastricht.

His intervention followed a similar attack on Maastricht earlier in the day by Mr Kenneth Baker. The former home secretary, who has now emerged at the head of opposition to the treaty, said he would vote against the agreement that he had backed as a cabinet minister.

But the rebels' stance was comprehensively rebutted by Mr Hurd, who won a standing ovation from many of the same representatives who had cheered Lord Tebbit.

Mr Hurd warned that any move to renege on Maastricht would shove Britain and its government on to the "sidelines" of Europe.

The foreign secretary announced that alongside the declaration on "minimum interference" or "subsidiarity" expected from the EC summit in Birmingham next week, Mr Major was seeking a commitment from his European counterparts to much greater openness in decision-making.

Last night Mr Kenneth Clarke, the home secretary, joined the fray on the side of the prime minister by pouring scorn on the "blind alley" into which opponents of Maastricht wanted to lead Britain. The government would no longer have a voice in international affairs if it opted for "splendid political isolation".

Conference reports, Page 7

THE LEX COLUMN

Marking the moment

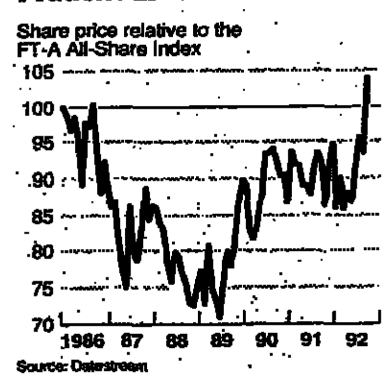
It is difficult to imagine after the upheavals in the ERM, but a few months from now the D-Mark could be perceived as a weak currency. Yesterday's figures for west German unemployment and industrial orders confirm the impression of a softening, though not yet recession-bound, economy. Unification will doubtless be seen as an even greater social and economic burden if the downturn becomes pronounced. That is not a recipe for a strong currency, especially given the discreet shift in the stance of the Bundesbank.

It is becoming clearer by the day that the Bundesbank's determination to hold money market rates below 9 per cent is more than just a short-term response to ERM pressures. As if to emphasise this, it offered money market liquidity yesterday at 8.9 per cent. Admittedly the arrangements carried only a 14-day maturity, but we are past the point where money rates could credibly rise again once ERM pressures subside. Markets might prefer an explicit signal in the form of a lower Lombard rate, but the change is real enough. Three-month Euromarks yield a quarter-point less than sterling even after the cut in UK base rates.

Of course, the Bundesbank may not be in a hurry. It is still worried about inflation and would certainly take fright if easier short-term money drove long-term rates higher. That may ultimately matter less as the message sinks in than the simple perception that the turning point has finally come. Expectations of an easier German policy could produce a redirection of investment flows towards the US once the presidential election is over. On past experience, one would expect sterling to rise on the dollar's coat-tails. That would secure for the UK chancellor some of the freedom he hoped to gain by leaving the ERM.

FT-SE Index: 2488.4 (+42.1)

Prudential



Source: Datastream

Prudential

Having swung the axe on estate agencies and the commercial broker business, Prudential looked poised to tackle its problems in general reinsurance. The approach unveiled yesterday avoids outright withdrawal, but Mercantile & General will see sharply lower premium income in the years ahead. By staying in the market, the Pru hopes to safeguard valuable profits on its wholesale life business, which shares a similar customer base.

Yet the Pru readily admits a sharper focus on profits at M&G will lead to reduced market share. With scant sign of a general hardening of rates across the reinsurance market, the loss of share could be considerable. One effect will be to leave M&G more heavily geared to losses on the long tail of general reinsurance business already written. The announcement of additional underwriting losses in the second half, only a month after the interim statement, underlines the point. There must be doubt about whether even a slimmed-down M&G can make sustainable profits in a volatile, commodity business such as general reinsurance.

The alternatives were hardly appealing. A trade buyer was even less likely to step forward after litigation surrounding the sale of Victory Re by Legal & General. Expansion ahead of an anticipated upturn in the reinsurance cycle was too risky. The 4 per cent rise in Prudential's shares yesterday, in spite of the nasty surprise on underwriting, suggests the market appreciates the dilemma. Come the upturn, however, the Pru will have to decide whether to be fully committed or to pull right out.

Trafalgar House

Trafalgar's defence was always going to be hobbled by the close reporting season and a shortage of time. Given these constraints, yesterday's document is not a bad effort. Trafs has provided the most solid evidence to date that it is not in serious financial trouble. Cash flow in the six months to September seems to have been a lot better than the market was expecting, and there are no covenant problems with its banks. Claims for the quality of the businesses – and their international spread – are by now familiar. But the formal acknowledgement of plans to realise value through disposals – and of the need for fresh boardroom blood – can be read as positive signals.

Obviously Trafalgar's image remains dogged by accounting controversy and unanswered questions relating to the size of future property write-downs. This makes valuation especially hazardous. On the basis of most outside estimates and the Keswicks' involvement in the first place, though, it is not unreasonable for investors to assume that there is more than 85p a share waiting to get out.

The only worry about staying for the ride is that if everyone takes the same view Hongkong Land may end up without a large enough stake to make itself heard. That argument, though, is flawed. Change is already underway at Trafalgar – life in the Ritz canteen will never be the same again – and even with just 15 per cent Land should be able to act as a focus for effective shareholder pressure. The threat of ultimate takeover, moreover, will surely concentrate minds.

New issues

Monday's 103-point fall in the FT-SE index was not the ideal backdrop to a new equity issue. However, for Trinity Holdings' shares to be priced at a discount of more than 20 per cent to last week's informally indicated level is a measure of the market's caution. Some allowance must be made for pre-placing hype. But the issue probably only got away because a firm order book for this bus and fire truck maker and its high proportion of overseas sales attracted institutional interest.

Market volatility is not the only problem facing those wishing to raise new money. The heavy gilt funding programme has also caused indigestion. That problem has recently abated, thanks in part to massive foreign exchange intervention, but it will be back with a vengeance next year. Current projections show that the gilt funding requirement in 1993-94 may be greater than domestic institutions' total cash inflow. Thus there is a real prospect of equity issues being crowded out by gilts. In an ideal world, companies might prefer to wait for solid signs of recovery and lower interest rates so that they can paint a prettier picture for the institutions. In a less than ideal world, those with a good exports story to tell may be tempted to beat the rush.

Boeing warning on older 747s

By Paul Betts in London and Ronald van de Krol in Amsterdam

BOEING was about to warn all airlines operating older versions of the 747 jumbo jet to inspect engine fixtures just before the El Al 747 cargo aircraft crashed in Amsterdam on Sunday after losing two engines.

The US manufacturer yesterday said airline customers had been notified before the Amsterdam disaster that an inspection request was pending. The issue was also discussed at a meeting of 747 operators called by Boeing last month.

But formal notification asking airlines to inspect the fuse pins connecting the engine struts to the wings was only sent on Monday night, after the Amsterdam crash, to the 69 operators of 747-100, 747-200 and 747-300 jets powered with Pratt & Whitney or Rolls-Royce engines. The El Al aircraft was a 747-200 with Pratt & Whitney engines.

Last night, rescue workers had recovered 14 bodies from the rubble of two adjoining apartment blocks hit by the aircraft on Sunday. Work is slow because of the instability of the shifting mounds of concrete. The official estimate of the number of people killed is more than 250.

Civil aviation officials said it was too early to speculate on precise causes of the crash. They said it was unclear whether the crash was caused by an uncontained explosion in one engine which damaged the second or whether a structural failure occurred in the engine mounting.

A Boeing investigator warned that the aircraft's flight recorder may never be found, or have been rendered useless by the heat. The black box is carried in the tail of the aircraft because this section of the jet is likely to suffer the least damage. But in the Amsterdam accident the tail was destroyed on impact.

Airlines yesterday began checking pins on more than 500 older 747 aircraft. The pins are designed to enable an engine to break away from the wing in the event of a failure.

Boeing, the world's biggest airliner manufacturer with about 60 per cent of the world commercial airliner market, stressed that its formal request for inspection was a "precautionary measure". It added that the causes of the El Al crash and a similar accident of a China Airlines 747 cargo aircraft in Taiwan last year were still unknown.

The Seattle manufacturer added that there was "no evidence" that the pins, which measure 4 inches by 2¼ inches, were implicated in either the Amsterdam or the Taiwan disasters.

Baker's different kind of bunker mentality

Continued from Page 1

Bush ahead in none, with serious chances only in Texas and Florida. Overall, it has Mr Clinton leading in 31 states with 367 college votes, Mr Bush ahead in 11 with 71 and the remaining nine, with 100 electors, too close to call.

New state polls show Mr Clinton up by 20 points in Illinois, 19 in Colorado, 13 in Michigan and Missouri and seven in Ohio and Kansas. Mr Bush is ahead by six points in Wyoming and two in South Carolina.

It seems that Mr Perot is having virtually no significant impact. The New York Times poll reported "overwhelming hostility" among voters to his re-entry into the race. Nearly three quarters of those surveyed said he should not have returned.

This poll found that the limited support that Mr Perot was getting was drawn equally from Mr Bush and Mr Clinton. The Washington Post survey, however, found Mr Perot's presence on the ballot hurting the president more because it offered an alternative to those strongly opposed to Mr Clinton.

The worst news in all the surveys concerns the prevailing pessimism about the state of the nation and Mr Bush's perceived ability to do anything about it. The Washington Post, for example, reported that eight in 10 thought the country was heading in the wrong direction and six in 10 that the economy was growing worse.

It found that one central thrust of the Bush campaign – that Mr Clinton would tax Americans into poverty – was simply not working. Of registered voters, 40 per cent thought Mr Clinton would do a better job on taxation, against 28 per cent for Mr Bush and 16 per cent for Mr Perot.

The New York Times found the president's overall approval rating down to 37 per cent, a five-point drop over the last month. Only 16 per cent approved of the way he was managing the economy.

Mr Bush's best, perhaps only, hope now lies in the three forthcoming televised debates, starting in St Louis on Sunday. The president and vice-president Dan Quayle, who squares off with Senator Al Gore, Mr Clinton's running mate, next Tuesday, have been playing down expectations. Mr Quayle has been somewhat embarrassed by his assertion that his modest state education in Indiana could not compare with the smoothness that the Democratic vice-presidential candidate acquired at expensive Washington private schools. He was forced to issue a home state apology.

There is an unpredictability to the debates, particularly in the extent to which over-coached candidates find themselves thrown off course by the unexpected. Still, the New York Times survey found Mr Clinton was the pre-match favourite.

Apart from the inevitable round of television interviews, Mr Bush took most of yesterday off to prepare for the debates, while Mr Clinton was out stumping in Florida and Mr Perot put the final touches to a half-hour paid TV commercial last night. As is now customary, Mr Baker was nowhere to be seen.

World Weather

		°C	°F
Ajaccio	F	21	70
Algiers	F	25	77
Amsterdam	Dr	12	54
Athens	F	26	79
Bahrain	S	33	91
Bangkok	R	34	93
Barcelona	F	19	66
Beijing	C	17	63
Beirut	S	27	81
Belfast	C	12	54
Belgrade	F	23	73
Berlin	C	12	54
Biarritz	R	14	57
Bombay	F	29	84
Bordeaux	C	12	54

		°C	°F
Boulogne	R	18	64
Brussels	R	10	50
Budapest	F	23	73
Buenos Aires	C	24	75
Cairo	S	33	91
Cape Town	S	19	66
Caracas	C	30	86
Casablanca †	F	21	70
Chicago †	S	3	37
Cologne	R	10	50
Copenhagen	C	10	50
Corfu	C	27	81
Dallas †	S	16	61
Dublin	F	13	55
Dubrovnik		-	-
Edinburgh	C	11	52
Faro	S	19	66
Florence	C	17	63

		°C	°F
Frankfurt	Dr	10	50
Geneva	C	13	55
Gibraltar	S	23	73
Glasgow	C	14	57
Helsinki	F	10	50
Hong Kong	S	27	81
Innsbruck	F	15	59
Inverness	C	11	52
Islamabad	C	23	73
Istanbul	S	26	79
Jakarta	R	32	90
Johannesburg	S	24	75
Lisbon	S	19	66
London	C	13	55
Los Angeles †	Fg	17	63
Luxembourg	C	8	46
Madeira	C	20	68
Madrid	F	17	63

		°C	°F
Majorca	S	22	72
Malaga	F	25	77
Malta	S	27	81
Manila	C	31	88
Melbourne	F	18	64
Mexico City	F	20	68
Miami †	S	21	70
Milan	R	15	59
Montreal †	S	0	32
Moscow	S	9	48
Munich	F	16	61
Nairobi		-	-
Naples	S	23	73
Nassau	F	33	91
New Delhi	S	29	84
New York †	S	7	45
Nice	C	16	61
Nicosia	S	29	84

		°C	°F
Oporto	S	17	63
Oslo	S	9	48
Paris	C	11	52
Prague	S	23	73
Reykjavik	C	9	48
Rhodes	S	27	81
Rio d'Janeiro	F	26	79
Rome	F	21	70
Salzburg	F	19	66
S'Francisco †	S	14	57
Seoul	S	19	66
Singapore	F	29	84
Stockholm	S	12	54
Strasbourg	C	12	54
Sydney	F	18	64
Taipei	R	27	81
Tangier	F	22	72
Tel Aviv	S	28	82

		°C	°F
Tenerife	F	23	73
Tokyo	S	19	66
Toronto †	S	1	34
Tunis	F	29	84
Valencia	S	23	73
Venice	F	20	68
Vienna	S	22	72
Warsaw	C	14	57
Washington †	S	7	45
Zurich	C	14	57

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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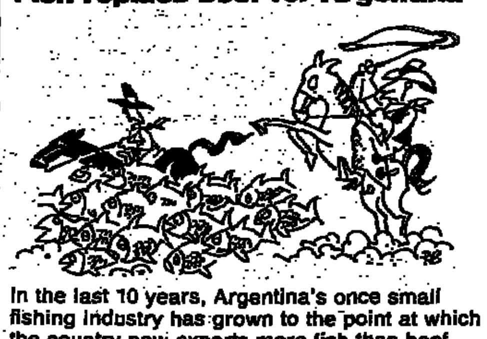
INSIDE

Nissan warns of industry 'crossroads'

Japan's motor industry "may now be at a crossroads", warned Mr Yoshifumi Tsuji, president of Nissan, Japan's second largest car-maker. The company is expecting its first loss since 1946 and declining sales in domestic and foreign markets had "been worse than anyone projected". Also at the Paris Motor Show were Renault and Ford. Page 19

Fish replace beef for Argentina

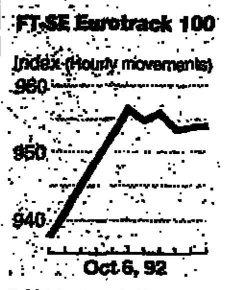


In the last 10 years, Argentina's once small fishing industry has grown to the point at which the country now exports more fish than beef. Last year, Argentina raised exports to a record $406.5m. Page 33

Spreading taste for Japan's beer

With the popularity of Japanese cuisine spreading, Japanese brewers are stressing that their brands of beer complement sushi and sukiyaki better than western brands. The brewers are trying to expand in overseas markets, at a time when other Japanese companies are retreating. Page 20

Bourses recover from depths



European bourses generally recovered from the depths they hit on Monday afternoon. However, the 1.8 per cent rise in the FT-SE Eurotrack 100 index, which is expressed in terms of D-Marks, also owed something to the recovery of other currencies against the German currency. While Frankfurt's DAX index fell to a new closing low of 1,420.30, Paris closed slightly firmer. Back Page

US insurer to sell in China

American International Group, the US insurers, has been granted the first licence to sell insurance in China, initially in Shanghai. The licensing of AIG, which was founded in China in 1919, illustrates the growing deregulation of China's financial services markets. Page 18

Parker Pen bid referred to MMC

The UK government has referred Gillette's proposed £285m ($488m) purchase of Parker Pen to the Monopolies and Mergers Commission. Page 22

Rebellion at shoemaker

Four family members who sit on the board of C&J Clarke, the UK's largest shoemaker, have written to shareholders saying why the chairman and the non-executive director should be ousted at next week's extraordinary general meeting. Page 23

Market Statistics

Companies in this Issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen Mch	745	+	15
Heidelb Zem	840	+	15
PWA	160	+	9
Falls			
Kaufhof	383	–	7.5
Porsche	491	–	14
Siemens	546	–	7.4

NEW YORK ($)

Rises			
Advanced Micro	12⅞	+	1⅛
Amgen	60¾	+	1¼
Microsoft	82½	+	¾
Falls			
Citicorp	14¾	–	¾
Oppnlach	12¼	–	1½
Tyco Toys	13⅜	–	2½

PARIS (FFr)

Rises			
Air Liquide	700	+	14
Bongrain	3098	+	238
Hachette	141.8	+	23.8
Falls			
Axa	660	–	29
Fin Poliet	342.5	–	17.5
Roussel-Uclaf	391	–	13

TOKYO (Yen)

Rises			
Chugai Mining	185	+	15
Koatsu Gas	625	+	73
Kobe Kiito	342	+	26
Kyokuyo	554	+	32
Falls			
Hirabo	210	–	15
Hyogo Bank	900	–	69

LONDON (Pence)

Rises			
BAT Inds	824	+	39
Bass	530	+	19
Cadbury Schw	428	+	16
Grand Met	379½	+	19½
HTV	24	+	4
Hasmocell	176	+	81
Ibstock Johnsn	50	+	3
Kingfisher	489	+	18
Lucas Inds	92	+	6
Owners Abroad	77	+	6
Perkins Foods	60	+	5
Proteus Intl	429	+	16
Pelon	84	+	8
Ramco Oil	72	+	6
SmKl Beecham A	487	+	18
Standard Chart	445	+	23
Falls			
Babcock Intl	31½	–	9
Bailey (Ben)	15	–	3
Costain	21½	–	3½
Eurotunnel Uts	345	–	13
Hunter Saphir	28	–	8
Quality Care	162	–	18

Bidding for Continental intensifies

By Nikki Tait in New York and Robert Taylor in Stockholm

THE bidding battle for Continental Airlines, the fifth largest US carrier that has been in bankruptcy since late-1990, intensified yesterday, as Aeromexico, Mexico's largest airline, joined in. A few hours later, the Air Canada investment group – one of five consortia interested in acquiring control of Continental – also increased its offer, by $25m to $425m.

These developments followed news late on Monday that Scandinavian Air Systems (SAS), which has written off an earlier $106m investment in Continental but still holds a 16.8 per cent equity stake, might also become involved again.

SAS said yesterday it was having "discussions with several of the interested parties". However, it added that that Houston Air, one of the five existing bidders, had overstated SAS's commitment to its particular proposal on Monday. SAS emphasised that it was not yet committed "to any one of the proposals for Continental's future".

Aeromexico's involvement comes in conjunction with the investment group put together by a Houston-based financier, Mr Charles Hurwitz. Mr Hurwitz's group opened the auction for Continental in July, offering to infuse $350m into the bankrupt carrier for a 72 per cent equity stake.

Yesterday's revised offer from the Hurwitz group, along with Aeromexico and other Mexican investors, suggests a total investment of $400m.

No sooner had this offer been announced, than the Air Canada investment group raised the total value of its offer by $25m to $425m. Montreal-based Air Canada, which is bidding in conjunction with Air Partners, a Texan-based limited partnership, said that the equity investment element would remain at $100m.

The other parties which have declared an interest in Continental are: Houston Air; Lufthansa, the German carrier; and a group of former executives.

● A process for selecting a victorious bid for Continental has been agreed with the bankruptcy court, the carrier said yesterday. Firm written offers must be received by November 2. The airline's board will then select a winner and submit this to the bankruptcy court on November 9. A definitive plan of reorganisation for the carrier will also be provided to the court by November 16.

Net profits dip in first half at La Générale

By Andrew Hill in Brussels

NET profits at Société Générale de Belgique, Belgium's largest holding company, slipped from BFr4.81bn ($164m) to BFr4.47bn in the first half of 1992.

However, profits before extraordinary gains – current profits – rose sharply from last year's trough.

Before extraordinary gains, the group made profits of BFr3.64bn - still short of the 1990 interim figure of BFr4.6bn, but more than double the 1991 interim figure of BFr1.47bn.

Mr Etienne Davignon, La Générale's chairman, said the group was still expecting to improve current profits for 1992, in spite of the continued economic depression.

He also hinted that the group would want to take advantage of its stronger financial position. "We have no intention of just sitting here and being happy about the good results – you can bet that we will be active in the future," he said.

Mr Davignon said rationalisation and a reduction in financial charges had put the group in a much better position to resist fluctuations in exchange rates and the price of minerals. "The changes in the current profits are not due to external economic forces, but mainly due to the [improved] management of the company," he said.

The group underlined, however, that the weighting of its investment towards cyclical industrial companies – the main factor behind the slump in 1991 profits – had still had an impact on the first-half results.

La Générale's share of current profits from services groups – such as Générale de Banque, the Belgian bank, and Tractebel, the electricity, gas and communications company – increased from BFr2.79bn to BFr4.07bn in the first half. Mr Gérard Mestrallet, La Générale's managing director, said that Tractebel would announce improved interim profits today.

Exceptional gains of BFr830m (down from BFr3.34bn) mainly reflected proceeds from the sale of La Générale's shares in Wagons-Lits to Accor, the French hotels company which bid for the Franco-Belgian tourism group last year. Mr Mestrallet warned that Accor, in which La Générale has a 10.6 per cent stake, might still have to increase its offer for Wagons-Lits, following court cases brought by disgruntled minority shareholders in the bid target.

Chairmen meet and exchange views on bid

THE chairmen of Hanson and Ranks Hovis McDougall met yesterday and had "a useful exchange of views" regarding Hanson's £780m ($1.3bn) cash offer for the food group, writes Maggie Urry in London.

The two sides agreed not to disclose any further details about the talks.

As well as Lord Hanson and Mr Stanley Metcalfe, the two chairmen, the meeting was attended by Mr Tony Alexander, chief operating officer of the conglomerate, and Sir Peter Reynolds, deputy chairman of RHM.

It is thought that the talks did not result in either an out-of-hand dismissal of the offer or a discussion of a price which RHM could recommend to its shareholders. Each side will consider the points made and further talks are possible.

Lord Hanson had written to Mr Metcalfe on Monday, when he announced the offer, inviting him to a meeting.

A brief statement from N.M. Rothschild, Hanson's merchant bank, said the two chairmen "were grateful for the opportunity to meet".

RHM's share price dipped yesterday but recovered to close at 239p, down 2p on the day, but still above the 220p a share offer. Hanson's shares rose 1p to 203p.

Hanson also announced some further disposals of peripheral businesses in the US. It has agreed the sale of Weber Aircraft of California, which makes interior equipment for aircraft, for $85m, $37m above book value. The purchaser is Air Cruisers, a US subsidiary of Groupe Zodiac of France. Weber incurred an operating loss in the 1990-91 financial year.

The lighting systems division of Halkey-Roberts and A&S Building Systems were also sold. The sale of Ranger Footwear was completed. Together, these three were sold for $11m, compared with a book value of $8m, and incurred an operating loss of $3m in 1990-91.

Maggie Urry outlines the confusing clash of styles which the RHM offer represents

Hanson transmits mixed signals

Hanson's problem is that it cannot behave in the 1990s the way it did in the 1980s. That is how one shareholder of the Anglo-American conglomerate characterises the challenge facing the group and its management.

If the 1980s was the era of swashbuckling takeover bids and shrewd disposals, the 1990s may prove to be a period of fewer opportunities and more nose-to-the-grindstone work in running the businesses it owns.

Hanson can no longer bid for companies as large as itself. When the results for the financial year just ended are published in December, they will confirm that the group's unbroken profit record has finally ended.

The £780m ($1.3bn) cash offer for Ranks Hovis McDougall, announced on Monday, looks like a throw-back to 1980s Hanson style.

That adds to the apparent confusion surrounding the strategy which Hanson proclaimed to analysts at a meeting in February. There was a feeling that Hanson was stung into greater openness about its plans by the hostile reaction when it took a 2.8 per cent stake in Imperial Chemical Industries in May last year.

The strategy was described as concentrated on running and expanding the group's core businesses and making disposals of some of the peripheral activities. It was portrayed as a significant change of direction, if not by the group itself, certainly by commentators. It was taken to mean that Hanson was no longer a trader in assets, but an industrial group dedicated to building and managing businesses which would remain with the company.

As such, one Hanson follower in the City of London insists the offer for RHM "drives a coach and horses through that strategy". Others say that in any case they had not believed the company had changed its spots.

The message coming from Hanson is that its fundamental aim of enhancing shareholder value has never changed, and the offer for RHM follows that strategy. Further, Hanson admits, the word "core" was perhaps used loosely, although it appeared again on Monday when RHM was offered the chance to become "a new core business to Hanson".

Mr Derek Bonham, appointed this year as chief executive of the UK side of the group, says "core to us means a significant market sector which we think is capable of responding to our management style". It does not mean that such a business will never be sold. Nor that the existing list of core businesses cannot be extended.

Hanson must blame itself if outsiders do not understand what the company is up to. For years, the group kept itself aloof, giving shareholders little information about the business, such as where profits came from.

Lord Hanson boasted an unbroken record of profits growth since he started the business in 1963, and basked in the headlines about his latest daring deal. That was enough, in the good times, to keep the share rating up.

That does not work when times are tougher. The shares began to underperform the stock market in 1990 and the rating has slipped until the group's paper is now too lowly valued to allow it to be used for a takeover bid without diluting earnings.

What Hanson failed to do in the good times was to emphasise the management's skills in turning around badly managed businesses and improving margins. Now it says that, for example, profits at Imperial Tobacco, acquired in 1986, have doubled in five years. However, until recently, such information was hard to unearth from published statements.

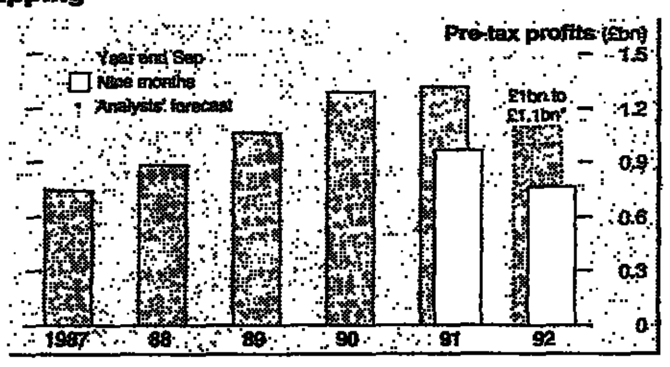
Mr Bonham says: "We cannot be seen to be serious managers of businesses if we do not tell people what we are doing." That signals the greater disclosure in last year's accounts and in filings made in the US, including a breakdown of profits by activity.

However, investors are still sometimes confronted by one-off profits; for instance, that on the sale of the Newmont Mining stake which appeared in the 1991 figures. They are also bewildered by such intricacies as interest received from cash balances held offshore and the use of acquisition accounting. Investors would rather see a lower level of repeatable earnings than higher profits from "funnies".

If Hanson did not give enough emphasis to its managerial skills in the 1980s, it has recently gone too far the other way, in making a hostile bid such as that for RHM seem unlikely.

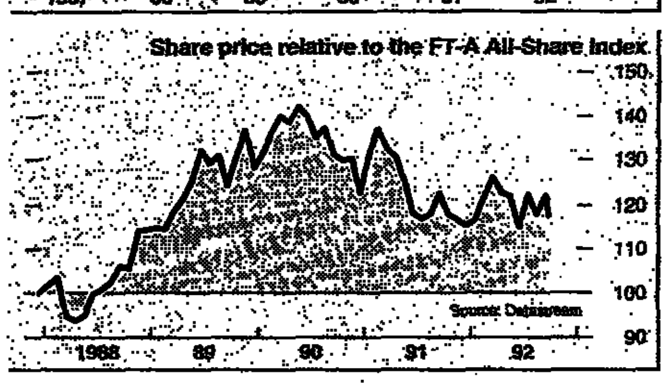
Mr Bonham says that in the 1980s it was enough to take opportunities on behalf of its shareholders. In the 1990s, he believes, it is necessary to make stronger overtures to the target company's board, as Hanson has done to RHM.

Hanson: performance slipping



Operating profits

Six months to Mar	1992 (£m)	1991 (£m)
Coal mining	69	65
Chemicals	46	72
Material handling	18	20
Gold mining	18	23
Tobacco	131	124
Aggregates	9	27
Forest products	34	13
House building	17	-
Other	122	115
Total	464	459



Source: Datastream

M&G ready to lose market share in search of rate rises

By Richard Lapper

MERCANTILE & General Reinsurance, the subsidiary of Prudential Corporation and the UK's biggest reinsurance company, is prepared to reduce its share of the general reinsurance business if it is unable to obtain satisfactory rate increases.

"If we fail to turn the market, we will turn away from it," said Mr John Engestrom, the chief executive who took office in July. "In the light of continuing losses and with minimal evidence of a significant hardening of the market, we intend to adopt a tough stance on imminent renewals."

With net premium income of about $1.4bn (£780m) in 1991, M&G is the 10th largest reinsurer in the world, although some 65 per cent of earnings are generated by life reinsurance.

Mr Engestrom accepted that the company's rating stance would lead to a sharp reduction in market share next year. Rates from catastrophe reinsurance, marine and aviation business – in which Lloyd's of London and London market companies specialise – have increased, but elsewhere reinsurance rates were not increasing enough to guarantee profitability, he said.

Softness in rates for proportional business – in which reinsurers insure a fixed percentage of risks insured by direct insurers – reflected low rates in direct business, both in North America and Europe. Markets in Germany, Italy and elsewhere in Europe had been "slow to react" to increases in claims, he said.

Mr Engestrom said that since the Prudential had published its interim results last month "there had been a deterioration in the company's general business".

Losses at the interim stage amounted to £25m, compared with £2m at the same stage last year. Claims from hurricane Andrew, which hit the US in August, and hurricane Iniki, which hit Hawaii last month, amount to £30m. M&G said last month it expected claims of £20m. The group expects further losses on its LMX retrocession business underwritten between 1987 and 1990 – in which London market companies and Lloyd's syndicates reinsure each other's catastrophe exposures.

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Trafalgar plans strategy change

By Roland Rudd and Andrew Taylor in London

TRAFALGAR House, the UK property, construction and engineering group, fighting a tender offer by Hongkong Land, yesterday signalled changes in strategy and management in an attempt to stay independent.

Hongkong Land, which bought 14.99 per cent of the group last Thursday, has until Friday afternoon to secure another 15 per cent by tender.

Sir Nigel Broackes, chairman, in a circular to shareholders said Hongkong Land's offer of 85p a share is "inadequate and seriously undervalues your company".

The letter says the group has been "considering for some time management succession plans for senior positions in the company". This would be in addition to the appointment of extra non-executive directors.

The performance of Sir Nigel and Sir Eric Parker, chief executive, has recently been criticised by some of the group's institutional shareholders.

Sir Nigel confirmed yesterday that the group is trying to sell its UK hotels, which include the Ritz and the Stafford, and has signed conditional contracts for the sale of Cunard's two Caribbean resort hotels.

Trafalgar said it was also looking to get better value for its fleet of seven ships, which includes the QE2, by merging the business with another shipping operator.

In the "absence of unforeseen circumstances" the group says it will pay a final dividend of 1.6p compared with a 9.6p final last year. This is higher than some analysts had expected before Hongkong Land's approach.

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Shares in Citicorp slide after president resigns

By Alan Friedman in New York

THE shares of Citicorp yesterday became the target of exceptionally heavy trading on Wall Street as the mystery deepened over the surprise resignation of Mr Richard Braddock, the Citicorp president who was the closest collaborator of Mr John Reed, the bank's embattled chairman.

Yesterday morning, Citicorp's stock opened $1 lower, a drop of 6.5 per cent, before recovering slightly to $14¾, a decline of $¾. By lunchtime, trading volume had reached a very high 2.6m shares.

Both insiders at Citicorp and Wall Street analysts said yesterday they believed Mr Braddock had been ousted by Mr Reed, his long-time friend. Mr John Morris, Citicorp's spokesman, said: "The bank's statement states that Mr Braddock chose to resign."

One senior Citicorp veteran said he believed Mr Braddock had been forced to take responsibility for an embarrassing leak last month of a scathing bank examiners' report on Citicorp by the Office of the Comptroller of the Currency (OCC).

John Reed: own future as chairman uncertain

The document contained harsh criticism of Citicorp's mortgage business, which it said had serious management and credit quality problems.

Mr Morris responded: "There is no reason to believe there is any substance to that."

The Citicorp spokesman also tried to pour cold water on mounting speculation from bank insiders that Mr Reed's own future as chairman may be increasingly uncertain. "We have 84,000 employees. I am sure there are all kinds of suppositions. I just don't comment on those various speculations," Mr Morris said.

The news of Mr Braddock's departure came at an especially poor time for Citicorp since the bank this week had started to market a $650m offer of preferred stock. The stock issue is part of the bank's efforts to boost its below-average capital ratio, at the behest of government bank regulators.

Wall Street analysts were also disappointed at the announcement by Citicorp that its third-quarter earnings would be less than 13 cents, or about half the level most analysts say they had been led to expect.

The bank said yesterday that since Mr Braddock's job will not be filled, his responsibilities would be divided by the other five top Citicorp managers. They are Mr Reed, Mr Onno Ruding, the former Dutch politician named as a vice-chairman last January, Mr William Rhodes and Mr Paul Collins, both Citicorp veterans, and Mr Pei-yuan Chia, head of consumer operations.

AMD shows strong advance

By Louise Kehoe in San Francisco

ADVANCED Micro Devices, the US semiconductor manufacturer, yesterday reported strong third-quarter sales boosted by demand for microprocessors used in personal computers.

The company, which saw profits advance during the quarter, also revealed a sharp increase in orders during the normally slow summer season.

"We believe AMD is now the world's largest producer of 386 microprocessors," said Mr W. J. Sanders III, AMD chairman and chief executive.

Net income for the quarter was $49.1m before payment of dividends on preferred stock, compared with $17.1m last time. Revenues rose 23 per cent to $356.7m from $289.4m in the same period last year.

After the preferred stock dividend, quarterly net income was 51 cents per common share, up from 16 cents.

Strong third-quarter orders portend accelerating growth in the fourth quarter, Mr Sanders said. "We expect Am386 microprocessor unit sales volumes will remain at record levels in the current quarter," he added.

Sales of AMDs other products were essentially flat, although revenues from flash memory devices, used in portable personal computers, almost doubled.

The success of AMD's 386 follows bitter legal disputes with Intel, the original maker of 386 microprocessors. Although AMD claims to have overtaken Intel in 386 sales, the market is rapidly switching to a new generation of 486 microprocessors of which Intel is the dominant supplier.

For the first nine months the company reported revenues of $1.1bn, an increase of 29 per cent, with net income of $175.4m before preferred dividends, or $1.84 after dividend payments. For the same period last year sales were $860.5m and net income was $30.8m.

Bell Canada joins GTE in services venture

By Bernard Simon in Toronto

GTE and Bell Canada, respectively the biggest local telephone companies in the US and Canada, are to co-operate in selling their billing and other information services to telephone utilities in other countries.

The two groups see lucrative opportunities in improving the billing systems of recently-privatised telephone companies whose customers have up to now received only rudimentary accounts with little information on individual calls.

Mr Don Hayes, president of GTE Data Services, a subsidiary, said yesterday that government-owned utilities "haven't been motivated to be responsive to the customer".

GTE Data Services already has contracts in the Netherlands, Denmark and Puerto Rico. Mr Hayes said the company was also in discussions with British Telecom, an Italian phone company, and the Mexican telephone utility.

Bell, a subsidiary of BCE Inc of Montreal, has been looking for ways to forge links with foreign telecommunications companies as the domestic market becomes more competitive.

Mr Hayes said GTE and Bell Canada saw "a very nice fit" between their areas of expertise. GTE, which also provides information processing services to the US health care and insurance industries, has concentrated on billing, while Bell's strength is in order entry systems and in the recording and execution of service changes required by individual customers, known as "provisioning".

Bell said the addition of the GTE system would allow it to tailor telephone bills not only to individual phone numbers, as is now the case, but also to itemise spending according to a business user's branches, geographical region or service.

Shimizu to cut its UK operations

By Robert Thomson in Tokyo

SHIMIZU, a leading Japanese building contractor, plans to sell four UK office buildings and close two UK subsidiaries as part of a restructuring of international operations that will lessen its role as a developer of new projects.

The company, under pressure in markets at home and abroad, will also close two Australian subsidiaries and plans to announce extraordinary losses of Y72.9bn ($609m) for the year to the end of March. However, Shimizu still expects a pre-tax profit of Y125bn, though that may be revised.

S. C. Properties (UK), S. C. Investment (UK); Shimizu Australia and S. C. Properties (Australia) are likely to be closed, though Shimizu emphasised it would still have a role as a contractor in both markets.

Like most other Japanese construction companies, Shimizu will be more selective about capital participation in UK building projects. The company would not identify which buildings are to be sold, although Japanese newspapers reported that it was expecting a loss of Y27.5bn on the sales.

"We never expected that the worldwide recession would be so serious. This recession is the cause of the closures," Shimizu said. "In the future, we will have to be more cautious about involvement as developers. We don't want to stop being a developer, but we will be more careful."

Apart from empty buildings in foreign markets, Shimizu has been bruised by the downturn in the domestic property market. Building orders for the Japanese industry fell 15 per cent last year, and 31.5 per cent in the second quarter this year, compared with the same period last year.

Japanese contractors hope the recently-announced emergency economic package will stimulate the property market, while orders for public works investment is due to increase in coming months, providing extra sales for the construction industry.

Other Japanese developers, including Kumagai Gumi, Daikyo and EIE International, have scaled down their European and Australian operations and are attempting to sell buildings in these troubled markets. The companies expanded their international exposure in the mid-1980s, and their ambitions were fuelled by the ease of raising funds in an overheated domestic market in the late 1980s.

US insurer returns to its Chinese roots

By Simon Holberton in Hong Kong

AMERICAN International Group (AIG), the US insurance group, has been granted the first licence to sell insurance in China, initially in Shanghai.

For AIG, the licence represents a return to its roots. The company was founded in Shanghai in 1919 by Mr C. V. Starr, an American entrepreneur, but was forced to quit the country when the communists took over in 1949.

The licensing of AIG further illustrates the growing deregulation of China's financial services markets.

China plans to admit foreign stockbrokers to conduct business on its two stock exchanges, and foreign banks are also expected to be permitted to conduct business in the future.

Mr M. R. Greenberg, AIG chairman, who is visiting Shanghai, said his company's roots were in Asia. "We will focus on building our staff and developing products tailored to the needs of this market."

AIG will be permitted to sell life insurance to individual Chinese and foreign nationals. It will also be able to sell property and casualty insurance to joint venture companies and other foreign businesses in Shanghai.

Before the communist takeover, Shanghai – often described as the Paris of the East – was China's industrial and financial centre.

It has lagged behind since China embarked on its "open door" policy 13 years ago, but recently has moved to the front of policymakers' interests and is now catching up rapidly with more advanced areas in the south.

Mr Greenberg said he believed AIG's presence would help attract investment for Shanghai's development.

AIG has a well-established presence in the Far East – both in life insurance, via American International Assurance, which claims to be the region's largest life operation, and in the property-casualty sector. The area is, however, attracting interest from other big US insurers – and several have established life insurance operations in the region.

Cascades to raise up to C$150m to fund new unit

By Robert Gibbens in Montreal

CASCADES, an international packaging group controlled by the Lemaire brothers of Montreal, plans to raise C$125m to C$150m (US$120m) in equity for its new Cascades Paperboard International subsidiary.

The shares will be offered in Europe as well as North America, and the new funds will be used to reduce debt and develop the subsidiary.

Cascades, the Lemaires' holding company, acquired 100 per cent of the old Paperboard Industries from a banking syndicate. It has now put all its packaging products operations in North America and Europe into the new unit which will be 60 per cent owned by the holding company after the equity issue.

Cascades Paperboard, which will be profitable, has annual sales of about C$1bn.

The new issue is being underwritten by the group headed by Gordon and RBC Dominion Securities, both of Toronto.

Murdoch agrees to sell off US media venture

By Raymond Snoddy

MR Rupert Murdoch has agreed the sale of his first large media venture in the US, the San Antonio Express-News, in a deal worth about $185m.

The paper is being bought by the Hearst Corporation, which publishes the competing title in the market, the San Antonio Light.

As a result of the deal there is now a likelihood that San Antonio will joining the ranks of US cities with only one daily newspaper.

Hearst said yesterday that it would seek a buyer for its title but equally made clear that it would "reluctantly" close the Light if one was not found.

The deal seems to have been an opportunist one by Mr Murdoch, chairman and chief executive of News Corp.

It was not in the strategic plan to reduce the media group's debt.

The sale also raises questions over the future of the Boston Herald, Mr Murdoch's last directly-owned newspaper in the US.

IRI defends controversial sale of software subsidiary

By Haig Simonian in Milan

IRI, the Italian state holding company criticised for its decision last week to sell its majority-owned Finsiel software subsidiary, yesterday issued a statement defending the deal.

The move came as Stet's shares recovered by 4.35 per cent to L1,080, making up a fraction of Monday's plunge of more than 23 per cent.

Iri said selling Finsiel to the Stet telecommunications group, which it also controls, had a strong industrial logic in view of the increasing use of digital telecommunications technology. The group indirectly refuted accusations that the deal had been hurriedly devised to bolster its debt-laden balance sheet by indicating the transaction had been considered for some time.

Finsiel, which made net profits of L29.4bn ($22.35m) on sales of L1,283bn last year, has a virtual monopoly of software services for Italy's public sector. But current activities in telecommunications are limited to a small subsidiary owned jointly with a Stet subsidiary.

Iri also argued that the L700bn price for the sale of its 83.3 per cent stake was in line with similar transactions for software groups elsewhere.

The precise figure would be reached through specialist valuations now under way, and a third valuation would be made in case of sharp differences.

Iri also revealed that Morgan Stanley, the US investment bank, had put a price of between L800bn and L900bn on Finsiel earlier this year. The bank confirmed it had worked on identifying strategic options for Finsiel, which had included preliminary valuations, but denied it had conducted any detailed valuation work.

The comments did little to calm critics, who attacked the deal as little more than an accounting exercise that should give Iri an extraordinary gain of around L650bn this year. Their main objection is that the sale offers little immediate advantage for Stet.

The group, in the middle of an ambitious investment plan to improve domestic telecommunications, is heavily indebted. Stet's cash-flow is already inadequate to finance its investments, and critics say buying Finsiel is an unnecessary luxury.

Stet has also tapped investors regularly through big rights issues, which have depressed the share prices of the group and its subsidiaries.

Gemina rises to L157bn half-way

By Haig Simonian

GEMINA, the Italian investment and financial services group controlled by Fiat, raised group net profits marginally to L157bn ($119.4m) for the year to June 30 from L152.5bn in 1990-91.

Net earnings at parent company level fell heavily to L42.7bn from L101.5bn, largely on account of a L112.2bn write-down in the value of Gemina's stakes in quoted companies.

The company is paying an unchanged dividend of L60 for ordinary shares and L70 for savings stock. The payment, which exceeds the parent company's profits, will be made using funds from a special reserve. The group confirmed its intention to sell its stake of over 13 per cent in Banco Ambrosiano Veneto, Italy's biggest private sector financial institution. However, the group made no mention of the widely-expected sale of its equity and bond trading subsidiary to Banca Nazionale del Lavoro, the large treasury-owned bank.

Danes in $91m rescue of Faeroe Islands bank

By Hilary Barnes in Copenhagen

THE DANISH government and the country's central bank have made DKr500m ($91.5m) available to the Faeroe Islands to rescue the islands' second biggest bank, Sjovinnubankin.

The bank lost DKr415m in the first eight months of this year. Its share capital has been written down from DKr98m to DKr15m. A condition of the Danish rescue is that the islands' government presents a balanced budget for 1993 and prepares an economic stabilisation programme.

BBL shareholders turn down chance to lift stake

By Andrew Hill in Brussels

LARGE shareholders in Banque Bruxelles Lambert (BBL) have turned down a 6.72 per cent stake in the Belgian bank, clearing the way for Internationale Nederlanden Groep (ING), the Dutch banking and insurance company, to buy the shares and proceed to a full bid for BBL.

ING, which already owns 10 per cent of BBL, announced last month it planned to buy the stake from Unipar and SBH Investments of Italy, with a view to making a bid. But the stake first had to be offered to other members of a shareholder syndicate, headed by Groupe Bruxelles Lambert (GBL) which owns 13 per cent of BBL.

Mr Jacques Thierry, BBL's chairman, announced on Monday night that the syndicate members had not exercised their option to buy the shares.

ING will now audit BBL's accounts before deciding whether to launch its BFr3,600-a-share bid, which values the bank at BFr63.6bn ($2.18bn).

Since the possibility of a bid was announced, GBL – which indirectly controls a further 11 per cent of BBL – has been forthright in its opposition to the price and the bidder.

OMV seeks partner to take 20% stake

By Neil Buckley

OMV, the Austrian oil group, is to seek a foreign partner to take a 20 per cent stake in the company in a further step in its privatisation.

The Austrian government was reported earlier this year to be considering a merger between OMV and the Verbund utility. But Mr Wolfgang Ruttenstorfer, OMV's chief financial officer, said yesterday it had become "clear a merger was not realistic".

Instead, Austrian Industries, the state holding company, is to reduce the 72 per cent stake it has held in OMV since initial privatisation in 1987 to 30 per cent, and OMV will seek a foreign partner to take a 20 per cent stake.

The proportion of shares in the public domain will be increased from 28 to 50 per cent through a private or public share placement.

OMV is Austria's largest quoted industrial company, with a market capitalisation of Sch24bn ($2.43bn).

Mr Ruttenstorfer said plans were at an early stage, but OMV was selecting an investment house to handle the proposed changes and hoped to start talking to potential partners by the end of the year.

The changes in the ownership structure should be completed in 1993 or early 1994.

He said OMV was seeking a partner which was a crude producer, in order to to secure access to greater oil supplies, and which would help OMV to implement its corporate strategy.

That strategy includes increasing oil reserves through refocusing and higher spending on exploration and production activities, and strengthening OMV's position as an integrated energy company in central and eastern Europe.

The company already has motor fuel marketing operations in the former Czechoslovakia, Hungary and Slovenia, and is seeking a stake in a refinery in the Czech republic.

Kevin Done reports from the opening of the Paris motor show

Japan's car industry 'at crossroads'

THE JAPANESE motor industry "may now be at a structural crossroads," Mr Yoshifumi Tsuji, president of Nissan, the second largest Japanese car maker, warned yesterday.

"The global motor industry is facing a business climate of unprecedented severity," he said. Amid worldwide recession, vehicle demand had dropped in all three of the world's major markets – Europe, the US and Japan.

Nissan, which is this year expecting its first loss since 1946 and which is omitting its interim dividend, was being hit by falling sales in both domestic and foreign markets, which had "been worse than anyone projected," said Mr Tsuji.

The Nissan president said the company was operating at less than 80 per cent of capacity in Japan, and three assembly lines had been reduced to single shift working. Mr Tsuji said Nissan was seeking to reduce its Japanese workforce by around 4,000 in the three years from 1992 to 1994 from 56,000 to 52,000.

The company was planning to cut 8,500 jobs in Japan – 6,500 direct workers and 2,000 indirect and salaried jobs as a result of cost-cutting. However, around 4,500 new jobs would be added to compensate for reductions in working hours and to account for the greater complexity of making more up-market models.

Working hours are to be cut from 2,100 hours a year at present (including overtime) to 1,900 hours a year by the end of 1994. This will reduce Japanese working hours to the present level of Nissan's European car assembly plant at Sunderland, north-east England, where assembly-line workers currently average around 1,900 hours a year, including 100 hours overtime.

In Japan, Nissan has already cut the level of temporary workers to around 10 per cent of the direct labour force from the earlier industry average of 20-25 per cent. This will be cut further to around 5 per cent by the end of 1994.

Mr Tsuji warned that there was "little expectation that the market will recover quickly in the immediate future." The company was facing "a very difficult time with respect to profitability."

It was taking "urgent steps" to improve its profit structure. Nissan is undertaking a drastic review of its product plans in order to cut the number of model variants and types of components offered.

It plans to promote "vigorously" the greater use of common parts among different car models.

Manufacturers see continued fall in west European car sales

LEADING western carmakers warned yesterday that west European new car sales would fall in 1993 for the second successive year.

German and French manufacturers are also moving quickly to raise prices in the Italian market in the wake of the heavy devaluation of the lira, despite concern over weakening demand. Volkswagen of Germany has raised its prices by around 5.5 per cent in Italy, while Renault is raising its by about 4 per cent.

French and German carmakers appear to be delaying any immediate price increases in the UK despite the heavy fall in the value of the pound. With official car prices in the UK already heavily discounted, real price rises would be difficult to implement.

Mr Jacques Calvet, chairman of PSA Peugeot Citroën, said yesterday that European exports would be complicated by the "combination of unstable EC exchange rates, a weak dollar and the deliberately undervalued yen. As a result, unemployment is on the rise."

Political and economic factors were generating greater gloom in Europe. "Looming elections, triumphant monetarism, structural problems in the UK and the determination to correct certain economic and financial imbalances in Spain and Italy are causing consumer spending and investment either to stagnate or decline." Mr Calvet said.

Mr Louis Hughes, president of General Motors Europe, forecast that west European new car sales would drop to 13.3m this year from 13.43m in 1991 and would be "clearly under 13m" in 1993 "if present consumer uncertainty in some markets continues".

Mr Allan Gilmour, president of Ford's automotive operations, warned that "recent currency and interest rate fluctuations throughout Europe have created uncertainty and reduced consumer confidence."

RVI chief gloomy on bus and truck sales

THE MARKET for trucks and buses continues to deteriorate and an improvement later this year is out of the question, Mr Jean-Pierre Capron, chairman of Renault Véhicules Industriels (RVI), said yesterday, Reuter reports from Paris.

"We can expect a result for 1992 that is below the extrapolations that we were able to make based on the first half," Mr Capron said.

RVI, 55 per cent owned by French state-owned vehicle maker Renault and 45 per cent by Volvo of Sweden, reported a consolidated pre-tax loss of FFr437m ($91.42m) for the first six months. In the first six months of 1991, RVI lost FFr128m.

Last month, Mr Marc Randon, RVI's secretary-general, said the company would probably make a loss for the whole year after reporting a net profit of FFr23m in 1991.

● Volvo Personvagnar AB, the passenger vehicle producer in the Swedish AB Volvo group, said sales of new cars in the US market fell 15 per cent in September to 2,903 units, from 3,429 units in the same month a year earlier. Volvo noted the contraction in the US car market had been 4 per cent in the month. Mr Klas Magnusson, Volvo spokesman, said better sales could be expected in October. In the first nine months of the year, Volvo's US sales have declined 5.24 per cent, to 51,567 units.

Ford drops Sierra for Mondeo

FORD, the US carmaker, said yesterday that it had decided to drop the name Sierra for its crucial large family car range in Europe.

The replacement, which is to be launched early next year at the Geneva motor show, will be named Mondeo.

The new range is vital to the immediate recovery prospects for Ford's European operations, which have plunged back into loss after making a modest profit in the first six months this year.

The Mondeo will replace the Sierra in Europe and the Ford Tempo/Mercury Topaz in the US.

It marks a big gamble for Ford, which for the first time has developed in Europe a common model for the European and North American markets.

Mr Allan Gilmour, president of the Ford automotive group, said the Mondeo range of large family cars would include saloon, hatchback and estate variants and would be produced in both Europe – at the Genk, Belgium plant – and in North America.

● Ford said yesterday that it had opened a components office in Beijing as part of its drive to source more parts from lower-cost countries.

Matsushita and Mitsubishi revise corporate plans

By Charles Leadbeater in Tokyo

MATSUSHITA Electric and Mitsubishi Materials, two of Japan's largest manufacturing companies, yesterday signalled that the economic downturn may force manufacturers to revise radically corporate plans based on the assumption of high rates of economic growth.

In a marked shift away from reliance on market growth to lift sales, both companies plan to cut costs to improve flagging profitability because they believe the downturn will herald a period of much slower than forecast growth in Japan.

Matsushita is next month expected to unveil a radically revised three-year plan which focuses on achieving higher profitability, in spite of assuming close to zero growth in demand for consumer electronics.

The plan is likely to include staff cuts at the company's Osaka headquarters and sharp reductions in graduate recruitment.

Mitsubishi Materials, the metals, cement and mining combine, has cut its targets for sales, profit and investment over the next five years which were drawn up only last year.

The company said it had reduced its 1995 target for sales by 20 per cent to Y1,000bn ($8.33bn), pre-tax profits by 30 per cent to Y43bn and capital investment by 10 per cent because it now expects economic growth to remain at between 2.5 per cent and 3 per cent.

A further review of long-term targets will be launched early next year.

The extent of the economic downturn's impact on traditional manufacturing companies was underlined by announcements that NKK and Mitsubishi Steel plan wide-ranging restructuring.

Mitsubishi Steel said it made a net loss of Y900m for the half-year ended in September after initially forecasting a profit of Y1.1bn.

NKK is expected to finalise a restructuring package for its troubled steel division in December.

Meanwhile, Nippon Sheet Glass, Japan's second-largest sheet glass maker, reported a 42 per cent fall in pre-tax profits to Y3.5bn for the half-year to September.

Altron advances 8% in difficult environment

By Philip Gawith

ALTRON, the diversified South African electronics, information technology and power electrical group, overcame a difficult operating environment to record an 8 per cent increase in earnings in the six months to the end of August.

Although turnover remained steady at R1.3bn ($461m), pressure on margins caused operating income to fall to R130.4m from R141.5m a year earlier. But significantly higher interest income, at R12.8m compared with R7m, coupled with lower outside shareholders' interest and a higher contribution from non-consolidated subsidiaries, saw attributable earnings rise to R48.8m from R45.1m.

Earnings per share rose by 8 per cent to 257 cents from 238 cents. A single annual dividend is declared at the end of the financial year.

Mr Bill Venter, chairman, said the main three operating divisions – Altech, Fintech and Powertech – had performed soundly, despite the depressed economy and extensive labour and political unrest. Earnings rose slightly at Altech, fell by 9 per cent at Powertech and were 30 per cent ahead at Fintech.

Mr Venter said Altron's export focus was producing benefits and order books were up.

Sappi ahead 19% on rights issue interest

By Philip Gawith

INTEREST on the income of a R1bn ($355m) rights issue last year helped Sappi, the South African-based forest products company in the Gencor group, lift earnings by 19 per cent in the first six months to the end of August.

These figures disguise the extremely difficult operating conditions the group faces. Mr Eugene van As, executive chairman, says the pulp and paper industry is facing its worst recession in 60 years.

Thus, although Sappi was able to lift turnover by 14 per cent to R2.02bn from R1.78bn a year earlier, operating income fell by 14 per cent to R221.2m from R257.1m.

The big fillip came in the form of a 96 per cent fall in net financing costs to R4.5m from R126.4m in 1991 owing to the interest receipts from the rights issue. This helped boost net profits by 71 per cent to R175.1m from R102.4m.

A 44 per cent increase in the average number of shares in issue, however, limited growth in earnings per share to 19 per cent – up to 130 cents from 110 cents. The dividend was maintained at 80 cents per share.

Highlights of the reporting period include the acquisition of a 90 per cent stake in Hannover Papier, a German coated fine paper manufacturer. The deal was partially financed through a placing of Sappi paper in Europe, and the group's subsequent listing in London, Frankfurt and Paris.

Trading figures for this acquisition are not included in the current results, but the balance sheet reflects, on a consolidated basis, previously equity accounted subsidiaries of Sappi and Hannover.

Mr Van As said productivity had improved at all the group's units; cost increases in South Africa and the UK had been kept below inflation; capital expenditure had slowed sharply; and there had been a significant restructuring of the UK operation.

Mr Van As predicted that the group would do well to maintain earnings per share at last year's levels given current market conditions.

Creating a worldwide yen for Japanese beer

Emiko Terazono examines brewers' plans for expansion into foreign markets

JAPANESE brewers are trying to cultivate overseas drinkers' taste for their beers by stressing they, rather than western brands, go best with *sushi* and *sukiyaki*.

Although the high yen, expensive transport costs and low profit margins have curbed Japanese brewers' overseas expansion, stagnation in domestic sales due to market saturation is forcing the companies to turn to international expansion.

Higher overseas demand for Japanese beer, due to the increasing popularity of Japanese cuisine and rising numbers of Japanese expatriates, has also motivated Japanese brewers to look abroad for markets.

Kirin Brewery, the world's fourth biggest and Japan's largest brewer, recently announced a licensing agreement with Charles Wells brewery of Bedford, England. Wells will start producing Kirin's lager next year.

Kirin has had a licensing deal with Molson, the Canadian brewer, since 1987, as well as a contract with the Hong Kong arm of Philippine brewer San Miguel.

Kirin has opted for overseas production rather than exports. It believes that freshness is the most important factor for beers, adding that tariff barriers can be avoided through overseas production.

Asahi Breweries, which bought 20 per cent of Foster's of Australia in 1990, says it is looking for further overseas expansion through the Foster's international network. It also wants a further brewing stake in Australia as soon as regulatory limits are lifted there.

Sapporo Breweries was the first Japanese brewer to sell its beer overseas – in the 1940s. It does not think overseas production is warranted because of the small volume of sales abroad.

For the big four brewers, Kirin, Asahi, Sapporo and Suntory, the US is their largest overseas market, consuming over 70 per cent of foreign sales. They add that Asian markets have the greatest potential, since beer is a relatively new drink and Japanese brands are popular.

With domestic demand flat, Japanese brewers are seeking some market froth abroad

The brewers' expansion abroad comes as other Japanese companies are retreating from international markets. The brewers, like most Japanese corporations, are victims of the stock market crash, and face a squeeze in cash-flow owing to losses on stock holdings and redemptions for equity-linked financing from the late 1980s.

JAPANESE BEER EXPORTS IN 1991 ('000 litres)

Sapporo	14,432
Kirin	13,632
Asahi	7,596
Suntory	1,704

The beer companies admit they are cautious about rapid overseas expansion, and their foreign sales are still only about 1 per cent of turnover.

But the companies believe the industry, set up in the 1860s with the help of German, Dutch and American brewers, has become a world leader in brewing technology.

They also say the taste of Japanese beer is gaining international acceptance as a compromise between overly light American beers and heavy European beers.

Asahi's "dry" beer, with its sharper taste and higher alcohol content, has been successful abroad, particularly in North America.

Sapporo claims it has brought about a change in the way brewers market draft beer by packaging its unpasteurised brew using a ceramic filtration method. Since Sapporo's introduction of packaged draft beer in the US in 1979, US manufacturers have created their own versions.

Kirin's overseas sales of Ichiban Shibori – meaning first pressing of the malt – is rising in tandem with domestic popularity. Kirin plans to start overseas production of the beer, marketed as Kirin Ichiban in the US and Europe, next year.

Japanese brewers have competed in the domestic markets through a wider range of new brews, from dry beer to beer drunk on the rocks. Although overseas sales will be focused on a smaller number of brands, more innovative brands are likely to be launched on overseas markets.

Mr Tetsuya Fujiwara, of Kirin, says: "There is a high overseas demand for products which become popular in Japan."

Kirin plans to start licensed production of Kirin Ichiban in the US next year, and also hopes to do the same in Europe in the near future.

The question is: will the Japanese brewers follow their counterparts in the electronic and automobile industries, and become the Toyotas and Matsushitas of the global beer market? "That's probably unlikely," says Kirin's Mr Fujiwara. "The taste of beer is very cultural and personal, not like electronic goods or cars."

Cost-cutting limits decline in Gold Fields' profits

By Philip Gawith in Johannesburg

A SUCCESSFUL containment of production costs helped the gold mines in the Gold Fields group limit the fall in operating profits to only 1 per cent during the September quarter, despite a weaker gold price and increased wages.

A particularly good performance at the Kloof mine helped lift group gold production by nearly 800kg to 31,375kg, from 30,756kg in the June quarter.

This helped offset the lower average gold price, which fell to R30,865 ($10,956) per kg from R31,086 per kg three months earlier.

Unit costs per kg of gold produced were only 1 per cent higher at R21,558 per kg, compared with R21,346 per kg in the June quarter, as annual wage increases offset the higher production.

Although operating profits were only 1 per cent lower at R293.3m from R299m three months before, net profits fell to R226.7m from R286.7m, owing to a large drop in sundry revenue and a higher tax charge caused by seasonally lower capital expenditure.

The Kloof mine, comprising the Kloof and Leeudoorn divisions, merged with the Libanon division on July 1.

The newly-merged operation earned net profits of R115.3m, compared with combined profits of R96.3m from the three mines in the June quarter.

The Kloof division reported a big increase in grade to 15.5 grams per tonne from 13.7 grams three months earlier, and a rise in production to 8,368kg from 7,375kg. This made the mine the lowest-cost producer in the South African industry.

The Leeudoorn division made its first ever net profits – R8.8m against losses of R2.9m – while the Libanon division incurred R9.3m operating losses, which its managers said were largely due to a fire. They were working towards making a profit in the current quarter.

Driefontein Consolidated, the group's largest mine, had a modest quarter, with production shortfalls because of a fire in its West mine and lower sundry revenue, pushing net profits down to R115.7m from R161.5m in the June quarter

Deelkraal results suffered from a poorer grade ore, while Doornfontein, despite achieving its production target of 110,000kg per month, made losses of R17m.

Mr Alan Munro, executive director, said a decision on Deelkraal's future – closure being a possibility – would be taken within "days and weeks, not weeks and months".

LEGAL NOTICES

IN THE MATTER OF REINHOLD (VICTORIA) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Richard William James Long of Robson Rhodes 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 18th September 1992.
Dated this 23rd Day of September 1992
V M Bairstow and R W J Long, Joint Liquidators

IN THE MATTER OF REINHOLD (HI-TECH) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Richard William James Long of Robson Rhodes 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 18th September 1992.
Dated this 23rd Day of September 1992
V M Bairstow and R W J Long, Joint Liquidators

IN THE MATTER OF REINHOLD (CHESTER) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Richard William James Long of Robson Rhodes 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 18th September 1992.
Dated this 23rd Day of September 1992
V M Bairstow and R W J Long, Joint Liquidators

IN THE MATTER OF REINHOLD (GREAT JAMES) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Richard William James Long of Robson Rhodes 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 18th September 1992.
Dated this 23rd Day of September 1992
V M Bairstow and R W J Long, Joint Liquidators

INTERNATIONAL CAPITAL MARKETS

Sterling's rally encourages short and medium gilts

By Tracy Corrigan in London and Patrick Harverson in New York

A RALLY in sterling lifted prices in the short and medium-dated gilts, though the long end of the market remained in the doldrums.

Dealers said yesterday's improvement was partly a technical correction after the market was oversold on Monday.

GOVERNMENT BONDS

Trading conditions proved volatile yesterday, with the long gilt future opening up ¹⁄₃₂ at 95.16, before falling back to close at 94.30. But the shorter end of the market performed well, recording gains of as much as ¾ point.

"Sterling holds the key at the moment," said Mr Phillip Tyson, an economist at UBS Phillips and Drew.

The improvement in sterling revived hopes that a further reduction in interest rates would be possible sooner rather than later.

The short sterling contract on the London International Financial Futures Exchange gained 6 basis points to close at 91.75.

However, dealers expected trading conditions to remain volatile at least until firm details of the government's economic policy emerge following sterling's withdrawal from the exchange rate mechanism.

The market will listen keenly to the Chancellor of the Exchequer's speech tomorrow for hints of the form the new economic policy will take.

■ HIGH-YIELDING European bond markets continued their meteoric fall yesterday. Italian government bonds shed 1⅕ points, as the lira dived yesterday morning, but recovered some ground later in the day.

Spanish bonds fared poorly, recording losses of 1⅜ points. Non-resident selling pressure pushed prices down further, as fears of a peseta devaluation and worries about the lifting of capital controls depressed sentiment further. Dealers said liquidity in the Spanish bond market was particularly poor.

■ GERMAN bund prices were forced to surrender some of the gains that they made on Monday, ending ¼ point lower.

Dealers said the market had got ahead of itself, but sentiment remained positive. The new 10-year 7¼ per cent bund issue met firm demand, dealers said. The results are due to be announced today.

Although the rush of buying seen on Monday appeared to have dried up, German bunds are expected to retain their safe haven status, since economic fundamentals remain favourable. The German bund future on Liffe closed at 91.38, down from Monday's close of 91.70.

■ DUTCH bonds fell back after their opening rise, following a steep fall in German bund futures.

Dealers said bond prices had gone too high and fell back as stock market turbulence faded. An increased supply from tap issue had also brought prices down, dealers said.

■ BELGIUM will issue a new state loan aimed at private investors between November 12 and November 18, the Belgian Finance Ministry said, Reuter reports from Brussels.

The maturity, coupon and issue price will be set later. The previous state loan in June raised BFr58.5bn and one in February brought in BFr66bn.

■ FRENCH bond prices fell a further half point yesterday, as benefits from the fall in stock prices on Monday evaporated. Dealers said the concerns of currency weakness continued to preoccupy the market. The OAT future on the Matif ended 0.58 point down at 108.56.

■ JAPANESE bonds again performed inversely to the stock market, gaining ground during early stock market weakness, then falling back when equity prices rallied later in the day. The JGB future on Liffe ended unchanged at 106.87, in thin trade.

■ LONGER-dated US Treasury prices fell sharply yesterday on disappointment that the Federal Reserve's monthly federal open market committee (FOMC), which met during the day, did not ease monetary policy to help the ailing economy.

In late trading, the benchmark 30-year government bond was down ¹⁹⁄₃₂ at 98, yielding 7.411 per cent. The two-year note was also lower, down ⅛ at 100¹⁹⁄₃₂ to carry a yield of 3.735 per cent.

In the absence of economic news, the market's attention was focused on yesterday's FOMC meeting. Speculation has mounted in recent days that the FOMC would sanction another cut in interest rates (possibly a 25 basis-point reduction in the federal funds rate and a 50 basis-point reduction in the discount rate) to lift the apparently stalled economic recovery.

A policy ease has been partly discounted by the market, and the lack of a move from the Fed yesterday meant that some of those gains had to be given back.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2407	-	8.89	8.99	8.84
BELGIUM		8.750	06/02	101.9700	0.240	8.44	8.62	8.93
CANADA *		8.500	04/02	104.6300	0.250	7.81	7.29	7.38
DENMARK		9.000	11/00	95.6700	-0.380	9.79	9.57	9.89
FRANCE	BTAN	8.500	03/97	98.7738	+0.194	8.81	8.82	9.30
	OAT	8.500	11/02	98.7900	-0.540	8.67	8.65	8.82
GERMANY		8.000	07/02	104.1450	-0.305	7.39	7.54	7.82
ITALY		12.000	05/02	88.7000	-0.800	14.68†	14.14	14.13
JAPAN	No 119	4.800	06/99	100.7671	-	4.65	4.73	4.89
	No 145	5.500	03/02	104.6204	-0.171	4.79	4.80	4.86
NETHERLANDS		8.250	06/02	103.4400	-	7.72	7.85	8.26
SPAIN		10.300	06/02	80.8750	-1.375	13.99	13.19	12.26
UK GILTS		10.000	11/96	104-28	+13/32	8.55	8.47	9.64
		9.750	08/02	103-09	+7/32	9.23	8.93	9.20
		9.000	10/08	95-01	-19/32	9.62	9.25	8.99
US TREASURY *		6.375	08/02	100-19	-12/32	6.29	6.61	6.58
		7.250	08/22	98-03	-21/32	7.40	7.42	7.38
ECU (French Govt)		8.500	03/02	94.4000	+0.050	9.41	9.37	9.44

London closing. *New York closing. Yields: Local market standard

† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Large issues go ahead despite market gloom

By Peter John

LARGE international share issues expected to be priced over the next week are said to be attracting interest in spite of acute uneasiness in stock markets and recent cancellations.

In general, offerings have been hit by the swings in currencies and falls in the European markets. Consequently, hybrid offerings which offer more security, such as convertible bonds, are attracting more interest and many straight equity issues are being put off until the new year.

INTERNATIONAL EQUITY ISSUES

The flotations of Procordia, the Swedish state food and pharmaceutical group, and the Australian Woolworths subsidiary, have been postponed because of poor market conditions over the past fortnight.

However, a $690m issue by debt-laden News Corporation and a $525m issue by General Motors remain on schedule, according to the New York securities house Merrill Lynch, which is heading both projects. Meanwhile, a $550m secondary issue of Union Texas Petroleum stock has been filed with the US Securities Exchange Commission.

The News Corp offer of 40m new shares, including 18m to be sold in the US and Canada, is the most international of the three, but potentially the most difficult.

The Australian market is expected to attract about 13m of the shares but has been dogged by the failure of a A$1.2bn rights issue by Westpac and the postponing by Industrial Equity (IEL) of the A$2bn flotation of its Woolworths retailing subsidiary.

Nevertheless, analysts feel that publisher Mr Rupert Murdoch's credibility has improved strongly over the past year.

The other two issues are essentially US offerings with an international element. General Motors is to offer 25m 'H' shares, which will track the performance of the subsidiary Hughes Electronics. Some 20 per cent of the shares are allocated outside the US, although it is felt that as much as 95 per cent of the shares could go to US investors.

Goldman Sachs's expected offer of 30m shares in Union Texas is principally targeted at the US with 20 per cent reserved for the rest of the world. The shares represent the 39 per cent stake held by Allied Signals.

Bank cancels tender of Ecu Treasury notes

By Tracy Corrigan

THE Bank of England has cancelled its tender of three-year Ecu Treasury notes scheduled for October 20, citing the tensions in the Ecu market. It had become clear in recent weeks that demand for the notes would be negligible, according to traders.

However, an Ecu1bn issue of T-bills is going ahead as planned on October 13. The Bank hopes to resume its T-note issuance programme if market conditions improve. The next issue is due in January.

The T-bill auction next Tuesday will consist of Ecu300m each of one-month and three-month bills and Ecu400m of six-month bills. The T-bill auction is expected to meet satisfactory demand, partly because market conditions are rather better at shorter maturities. In addition, the issue represents a refinancing of maturing T-bills, rather than a fresh supply of paper, as in case of the notes.

Meanwhile, trading in the Ecu bond market has virtually stalled. Bond prices dropped a further ¾ point yesterday in lacklustre trading, and volume in the Ecu bond futures contract on the Matif in Paris reached only 1,700 contracts.

The only area of activity is asset-swapping (the exchange of fixed-rate for floating-rate assets), which is providing some support for the market.

● Goldman Sachs has stripped a further Ecu100m tranche of Italy's Ecu2.5bn issue of 9¼ per cent bonds due 2011. A total of Ecu500m of the issue has now been stripped. The Italian deal has been one of the worst performers in a generally weak market, partly because asset-swaps cannot be executed at the long-end of the market. The bonds currently yield 10.78 per cent.

Coming to terms with conditions

By Richard Waters

THE international bond market took a breather yesterday as borrowers, investors and intermediaries came to terms with what were claimed to be the worst conditions in the primary and secondary markets for several years.

INTERNATIONAL BONDS

Upheaval in the currency markets, unsold bonds from recent large dollar issues, a queue of sovereign borrowers planning large borrowings and a dearth of institutional buyers have all conspired to push out spreads on Eurobonds.

The gloom over the market intensified with speculation that the Republic of Finland was preparing a $2bn global bond issue. Sweden was among Scandinavian borrowers said to be considering a large bond issue, along with Italy, though recent negative statements by Moody's, the rating agency, makes both unlikely.

After a Y75bn deal from Finland, launched on Monday, had been undermined by a warning from the country's finance minster about the serious state of the government's finances, traders were in no mood yesterday for another, even bigger issue from the country. The Y75bn issue broke syndicate yesterday morning, and was said by the lead manager to be trading at 99.10 on the bid late in the afternoon, down from the 99.35 issue price but still within fees.

"The best thing that could happen now is if the market closed down for a week," said one syndicate manager in London. "I haven't seen anything like it since 1987 – and this is probably worse than that."

The overhang of paper in the Eurobond market has been made worse by the large volume of new bond issues in the US recently. With underwriters still holding many of these bonds, the international market has suffered a knock-on effect, further damaging market sentiment.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kansai Int. Airport Co.	200	6.25	99.8	1999	30/15bp	Bank of Tokyo CM
Tateyama Aluminium(a)♦	100	1.5	100	1996	2¼/1½%	Daiwa Europe
YEN						
Kumagai Gumi Co.	70bn	5.75	101.375	2000	1⅞/1.675%	Daiwa Europe
D-MARKS						
LKB Finance	400	7.625	102.25	2002	2½/1½%	Trinkaus & Burkhardt
Zuken Inc.(a)♦	150	4	100	1996	2¼/1½%	Daiwa (Deutsche.)
Rokkatei Confectionery(b)‡★★	12	(b)	100	1997	-	Fuji Bk(Deutsche.)
SWISS FRANCS						
Republic of Ireland	150	6.625	101.75	2002	-	UBS
Ohtsu Tire & Rubber(c)♦★★	50	3	100	1998	-	Nomura Bk(Switz.)
Gekkeikan Sake Co.★★	15	6.875	100.25	1997	-	DKB (Schweiz)
Miyagi Construction★★	10	6.875	101	1999	-	IBJ (Schweiz)

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. ♠Variable rate note. a) Final terms fixed on 12/10/92. b) Coupon pays 35bp above 6-month DM Libor. c) Callable from 22/10/94 at 102% declining by ½% semi-annually. Final terms fixed on 12/10/92.

PaineWebber and Samuel Montagu to co-operate

By Patrick Harverson

US SECURITIES house PaineWebber and the London-based merchant bank Samuel Montagu yesterday announced plans to co-operate in the transatlantic mergers and acquisitions business.

The idea is to give PaineWebber's US clients access to strategic investors, acquisition candidates and merger partners or acquirers in Europe, while offering similar access in the US to Samuel Montagu's customers. The two companies' corporate finance departments will market each other's services in their respective geographic areas.

PaineWebber has been looking to build a presence in Europe, particularly in the European bond markets. The deal will also enable Samuel Montagu to expand its horizons into the US. During the 1980s, Samuel Montagu – now part of Hong Kong Shanghai Banking Corporation – had a reputation for working on ambitious M&A deals, such as bids by UK advertising group WPP for rival US companies Ogilvy & Mather and JWT.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 6

U.S. DOLLAR STRAIGHTS — Issued, Bid, Offer, Chg. day, Yield; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES — Issued, Bid, Offer, C.cpn; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS — Issued, Cnv. price, Bid, Offer, Prem.; YEN STRAIGHTS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month § above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	5	1
Other Fixed Interest	1	5	9
Commercial, Industrial	307	215	902
Financial & Property	147	82	572
Oil & Gas	20	18	47
Plantations	0	0	9
Mines	24	38	85
Others	15	70	22
Totals	585	433	1,647

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	118	95	Broadgate Inv Trust	95		-	-	-	-
♦	F.P.	-	201	187	Chubb Security	190	+3	L2.8	2.9	2.0	21.0
-	F.P.	-	253	96	SHIRESCOT	96		-	-	-	-
-	F.P.	-	31	19	Do Warrants	19		-	-	-	-
120	F.P.	-	192	169	¶Tepnel Diagnostics	180	-5	-	-	-	-
-	F.P.	-	14	10	Twog 1000 Smlst Co Wts	11		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or -
100p	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	107½p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Arjo Petroleum	[illegible]	[illegible]

[illegible] … cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

● First Dealings Sept. 28
● Last Dealings Oct. 9
● Last Declarations Dec. 30
● For settlement Jan. 11

3-month call rate indications are also shown on this page.

Calls in ASDA, Haemocell, Owners Abroad and Proteus Intl. Doubles in Burton, RHM and Glynwed Intl.

LIFFE EQUITY OPTIONS

Option — CALLS Oct Jan Apr — PUTS Oct Jan Apr; Option — CALLS Nov Feb May — PUTS Nov Feb May; Option — CALLS Dec Mar Jun — PUTS Dec Mar Jun

[illegible]

EURO FT-SE INDEX (*2485)

[illegible]

FT-SE INDEX (*2485)

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BOC	48	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71		
British Steel	6	Grand Met	34	RHM	14	■ PROPERTY		■ MINES	
BT	25	GRE	13	Rank Org	42	Brit Land	15	RTZ	50

Raine falls sharply to £13.5m

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Raine Industries, which earlier this year acquired struggling housebuilder Walter Lawrence for £28.5m, fell by third to £13.49m during the 12 months to the end of the June.

Despite the sharp fall Raine stood by its promise to pay a maintained final dividend made in March when it acquired Walter Lawrence and separately raised £33.5m from shareholders in a 2-for-7 rights issue.

Mr Peter Parkin, chief executive, said that Lawrence had made a £500,000 loss in the three months to the end of June but was now back in the black and was expected to make a healthy contribution to profits in the current year.

Shareholders will receive a 4p final dividend making a 6p (5.9p) total for the year, just covered by earnings of 6.1p (10.3p).

Mr Parkin, who becomes executive chairman in November, said that an increase in group turnover from £352.1m to £363.6m was due entirely to the first-time contribution from Walter Lawrence.

The acquisition was bedding down well. Raine's housing land bank, of 5,865 plots, now had an average purchase price of £11,400 – equivalent to 17 per cent of the average sales price of £68,200 of one of the group's homes.

Mr Parkin said few other housebuilders would be able to boast such a low land cost to sales ratio. Even so, group profits from housebuilding fell from £10.2m to £7.3m.

He added that there was still no sign of any pick-up in the UK housing market despite the lowering of mortgage interest rates.

Contracting profits fell from £6.68m to £4.48m but this was after a £1.7m loss from commercial property operations. Construction of social housing rose by 31 per cent to 670 units which helped restrict the fall in contracting profits.

More disappointing were the results from the Plumb's interiors contracting business where profits fell from £3.5m to £1.3m. The division would have made a £500,000 loss but for the contribution from Raine's 70 per cent owned German subsidiary.

Group borrowings remain tightly under control with net debt of £40.8m – excluding non-recourse, off- balance sheet debt of £11.8m – equivalent to gearing of just over 34 per cent.

Peter Parkin – *no sign of a pick-up in UK housing*

● COMMENT

Raine possesses some quality businesses even if the sector in which they operate is having a disastrous time. Low land costs, helped by the Walter Lawrence acquisition, leave the group well placed to take advantage of a recovery (if any) in the housing market. Disposals and savings arising from the acquisition could generate £10m to £15m of cash in the current year reducing gearing to about 25 per cent. Contracting is under pressure but still delivered margins of just over 3 per cent, excluding property losses. This is better than many other contractors can boast. Plumb is having a hard time of it but like housing should be one of the first to benefit from recovery. If things go wrong Raine can always sell the US housing business acquired along with Walter Lawrence. Pre-tax profits of £17.5m, giving same-again earnings and total dividend of 6p, would put the shares on a prospective pe of 14 and yield of 10.6 per cent. It is one of the very few buys in the sector.

See People

Ldn & Manchester premium income rises

By Richard Lapper

LONDON & Manchester, the life assurance group, has increased its interim dividend by 5 per cent, from 4.428p to 4.65p, after announcing a 13 per cent rise in premium income in the first half of 1992.

On an annualised basis home service division premiums increased by 14 per cent and pensions rose by 36 per cent, offsetting a 21 per cent fall in new business generated by the company's life broker division.

Mr John Thomson, chairman, said the strong performance by the home service division – the company's traditional sales force – demonstrated "the capacity of this mature but vigorous business to deliver sustained and significant real expansion despite the severe recessionary climate."

In the six months new annual premiums, however, fell to £23m, against £25m.1m and £50.4m for 1991 as a whole, while new single premiums rose to £92.1m, compared with £33.2m and £11.6m for the year. Overall premium income amounted to £174m (£115.1m).

New business generated by the life broker division fell 30 per cent to £8.6m (£12.3m), but premiums earned by the home service ordinary life rose to £4.6m (£4.2m). Home service industrial life annual premiums increased to £4.3m (£4m) and pensions to £5.5m (£4.6m).

The group also announced that provisions against losses on its mortgage lending had been strengthened to reflect the continued weakness of the residential property market.

Mr Thomson said that "the impact of the prolonged and deep recession has continued unabated" within the group's non-insurance property-related businesses.

"The management of the virtually closed book of residential mortgage business has been especially onerous, in the face of a housing market characterised by continually falling values and moribund turnover levels."

Gillette's bid for Parker Pen referred to MMC

By Guy de Jonquières, Consumer Industries Editor

THE GOVERNMENT has referred to the Monopolies and Mergers Commission the proposed £285m purchase of Parker Pen by Gillette, the US razor, stationery and toiletries manufacturer.

Mr Michael Heseltine, the trade and industry secretary, said the deal, announced last month, raised competition concerns in the supply of refillable writing instruments and refills. The MMC has until January 13 to report.

Gillette already owns pen makers Paper Mate and Waterman. According to some estimates, acquisition of Parker could give Gillette more than half the UK market for refillable pens and pencils, worth more than £100m a year.

Some retailers are understood to have expressed concern that such a strong position could enable Parker to restrict choice and raise prices in a mature product market where heavy advertising and brand support deter new entrants.

No new competitors are believed to have entered the UK market for at least five years. Other leading suppliers of refillable pens and pencils are Sheaffer, Cross, Mont Blanc, Elysée and Pentel.

Gillette's proposed acquisition of Parker, which has been based in the UK since a $100m management buy-out from its US parent in 1985, is subject to regulatory approval in Britain, France and the US.

Gillette is already under pressure from competition authorities in Britain, Germany and several other countries to dispose of its interest in Eemland, the parent company of Wilkinson Sword, Gillette's main competitor in wet shaving products.

Owners Abroad reveals potential bid approach

By Michael Skapinker, Leisure Industries Correspondent

OWNERS ABROAD, the UK's second largest tour operator, said yesterday it had received a tentative approach several weeks ago from a potential purchaser.

The company would not discuss the identity of the potential bidder, but it is thought to be Airtours, the third largest tour operator. Airtours said it could not confirm or deny it had made the approach.

Owners Abroad said discussions had not progressed beyond the tentative contact. "That approach has not been turned into a proposal, but it's not to say that it won't."

The announcement came after the close of market trading yesterday. Its shares had risen 6p to close at 77p, valuing the company at £113m.

Airtours shares, which had fallen 13p on Monday on rumours that it was considering a bid for Owners Abroad, recovered 8p yesterday to close at 246p, for a market capitalisation of £231m.

Talk of a merger of the UK's second and third largest tour operators, comes towards the end of a summer holiday season which has so far seen the collapse of 52 members of the Association of British Travel Agents (Abta).

Although the industry reported that bookings had been healthy in recent weeks, travel companies had, earlier in the year, suffered from overcapacity and price-cutting.

Airtours has shown signs of wanting to tighten its grip on the travel market. Last month it bought Pickfords Travel, the third largest chain of travel agents from NFC, the transport company, for £16m.

Mr David Crossland, Airtours chairman, said owning Pickfords would enable his company to improve the distribution of its holidays, particularly in the south of England. He said that if each of Pickfords' 333 branches booked one additional Airtours holiday a week, it would add £2m to the enlarged group's pre-tax profits.

Thomson, the biggest tour operator, has owned Lunn Poly, the biggest chain of travel agents, for 20 years.

Cost-cutting behind 30% rise to £6.6m at Barry Wehmiller

By Roland Rudd

BARRY WEHMILLER International, the specialist packaging equipment group, reported a 30 per cent increase in pre-tax profits for the year to July 31 on the back of a cost-cutting programme.

Profits worked through at £6.55m (£5.03m) on slightly reduced sales of £73.7m (£75.4m).

Net cash stood at £4.9m, achieved after last year's £12.9m rights issue combined with an 18 per cent reduction in inventory levels and strict control of costs and working capital.

Interest received of £133,000 compared with £1.1m payable.

As part of the cost-cutting exercise the number of employees was cut by 199 to 1,222.

The vision division, which scans bottles and packages, turned a £1.63m operating loss into a profit of £670,000 by sorting out technical problems associated with the launch of a new product.

The new management at the division made significant reductions in the level of stock.

A reduction in demand from UK customers affected both food equipment, where operating profits fell from £4.2m to £3.5m, and general packaging, with operating profits down from £3.5m to £2.3m.

Almost 70 per cent of the group's turnover is generated overseas. While sales in the UK fell to £22.5m (£28.4m) they increased to £20.8m (£16.1m) in the US.

The group reported a recovery in demand from the US market which helped the food equipment division partly offset the adverse economic conditions in the UK.

Earnings per share rose to 10.7p (9.8p). The final dividend is again 4.3p making a maintained total of 6.7p on the increased capital.

Mr Nigel McLean, chairman, is to retire at the annual meeting in December in favour of Mr Michael Windsor, deputy chairman. A new non-executive director will be appointed.

New board at Crown company

By Raymond Snoddy

A FRENCH commercial court yesterday appointed a "provisional director" to supervise the setting up of a new board of RFM, the French commercial radio network controlled by Crown Communications, the UK radio group.

The decision follows the resignation of several RFM directors. The court-appointed director can also look at the financial viability of the loss-making network and its precise shareholdings.

The court decision is a further embarrassment to Crown, owners of the London Broadcasting Company, which reported pre-tax losses of £5.58m in the six months to the end of March.

Mr Christopher Chataway, chairman of Crown, the USM-quoted commercial radio group, however, yesterday dismissed the incident as "a storm in a teacup at a minor subsidiary." Crown had not known about the hearing.

Crown is planning to sell the 114-station RFM network, which recently had its Paris licence renewed, to a consortium led by NRJ, an independent French radio network. Mr Chataway said yesterday he expected the sale to be complete by the end of the year.

"RFM is being supported by Crown and this (the court decision) has absolutely nothing to do with the financial viability of the company."

The Crown chairman said the group had the continued support of its bankers for the policy of stripping the company down to LBC, the London commercial station which he said was cash positive.

The running of Independent Radio News had been taken over by Independent Television News and talks, Mr Chataway said, were at an advanced stage on the sale of IRS, the radio sales company.

In January the CSA gave approval for a change of shareholding at RFM which would have meant Crown having 49 per cent, the management 21 per cent and a French bank Credit Mutuel d'Artois 30 per cent.

Mr Chataway conceded yesterday that the management shareholding had not been implemented and probably would not now be implemented because of the pending sale.

Savage £2m back in the black

By Peter Pearse

SAVAGE Group is reaping the rewards of its two-year reorganisation of European businesses with a return to the black in the year to June 30.

Yesterday the USM-quoted hardware group announced pre-tax profits of £2.02m, against losses of £115,000 previously. It is also returning to the dividend list with a 0.25p payment and expects that, if it is possible, an interim will be paid for the current half-year.

Mr Doug Rogers, who became chairman in the wake of a shareholder revolt in autumn 1990, said: "We have reduced the company to a solid base from where it can grow." Pre-tax profits in continuing activities rose 57 per cent to £2.23m (£1.42m).

When he arrived the balance of Savage's business was half UK and half Europe. Now it was 75 per cent UK, 15 per cent Germany and 5 per cent each for Benelux and the rest of the world.

Mr Rogers said that recent interest rate cuts and the fall in sterling against other currencies reinforced the board's cautious optimism about the UK performance in particular and the maintenance of the group's recovery in general.

Total turnover fell to £73.5m (£123.9m), though in continuing activities it rose 1 per cent to £69.4m (£68.8m). There were no exceptional costs (£494,000) and total interest charges fell to £1.34m (£4.09m). There was an extraordinary charge of £2.85m (£5.13m). Earnings emerged at 0.9p (losses 5.4p).

Low take-up for Aegis rights

By Gary Mead, Marketing Correspondent

AEGIS, the media-buying company, announced yesterday that just 14.4 per cent of its £19.8m September rights issue had been taken up, and almost all of that by Warburg Pincus, the US investment bank which had fully underwritten it.

"We are not surprised that the take-up from institutions has been very low, given the current market conditions and the pricing of the issue; any issue priced at 55p against a stock price of 16p is not likely to go forward very well," the group said. The shares traded at a peak of 215p in October 1991.

In voting right terms there are now 200m shares in issue; 30 per cent are held by SFEC, a company controlled by Mr Gilbert Gross, honorary president of Aegis; 30 per cent by Warburg Pincus; 6 per cent by Eurocom; and the rest by various financial institutions including Fidelity and Philips and Drew. The two principal shareholders each have two representatives on the board.

NEWS DIGEST

QS holds on for 7% interim rise

QS HOLDINGS, the specialist retailer of value for money clothing, held its competitive trading advantage to raise turnover 14 per cent to £23.2m in the half year ended July 31.

This fed through to pre-tax profits in a near 7 per cent rise, from £3.6m to £3.86m. Earnings per share were 6.57p (6.07p) and the interim dividend is pushed up to 1.56p (1.45p).

The group operates from 78 stores in the south of England, predominantly selling women's and children's wear, and a selection of mens wear.

Austrian group moves into Bullers

Control of Bullers, the maker of giftware and decorative accessories, is expected to change under a series of arrangements announced yesterday.

Gamlestaden, which holds 48.24 per cent of the company has granted an option to Auric Holdings of Austria on a 29.99 per cent holding. It has also accepted the conversion of a £350,000 loan to Bullers into 35m preference shares and given Auric the right to buy them at any time over the next three years.

Auric will have the right to convert the preference shares on a 5-for-2 basis at any time.

If Auric exercises its rights in full it will control 58.9 per cent of Bullers. The Takeover Panel has waived the requirement to make a full bid should shareholders, other than Gamlestaden, approve the moves.

Marmara Bank, a Turkish bank, of which Mr Atilla Uras, owner of Auric, is chairman, has provided an unsecured loan facility of £550,000 to Bullers.

Mr Peter McBride, Auric's representative, has been appointed managing director of Bullers.

Delaney trims loss but sees no upturn

Delaney Group, the furniture maker and shopfitter, reported a reduced pre-tax loss of £495,000 on sales of £12m in the six months to end-June.

The outcome compared with a loss of £646,000 from turnover of £11.2m last time and was struck after a lower interest charge of £137,000 (£186,000).

Losses per share were reduced to 0.9p (1.2p). The shares were unchanged at 6¼p.

On prospects, Mr Nathu Puri, chairman, said it was difficult to foresee any respite from the repressed market conditions. In fact the economy was displaying distinct signs of further deterioration.

Uncertainty about government intentions had turned decision-making into something of a lottery, he said.

Interest cut aids Derwent Valley

After reduced interest payable, Derwent Valley Holdings, the property group, raised pre-tax profit from £425,000 to £603,000 in the first half of 1992.

Despite the loss of income from the sale of a property in the second half of 1991 and a refurbishment, gross income remained virtually unchanged at £3.82m (£3.81m).

Future opportunities for improvement of the portfolio had been pursued despite the conditions in the market.

Interest charges this time were £1.58m (£1.75m). Earnings per share came to 5.2p (3p) and the interim dividend is again 2.9p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bailey (Ben) ...fin	0.25	Jan 8	0.5	0.55	0.8
Barry Wehmiller ...fin	4.3	Jan 5	4.3	6.7†	6.7
Derwent Valley ...int	2.9	Nov 13	2.9	-	8.6
Fleming C'house ...int	2.5	Dec 1	2.5	7.5☆	10.5
Ldn & Manchester...int	4.65	Nov 18	4.428	-	13.572
Manchester Utd ...fin	12	Nov 30	-	18	-
N American Gas ...fin	1.125	Dec 21	1.125	2.25	2.25
QS Holdings ...int	1.56	Dec.1	1.45	-	4.75
Raine Inds ...fin	4†	-	4	6	6
Savage ...fin	0.25	-	nil	0.25	nil
Sunset + Vine ...fin	2	Nov 19	2	3.5	3.5
S&U ...int	2.4	Nov 20	2*	-	8.18*

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Adjusted for scrip issue. §USM stock. ☆Total after 9 months.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for trading on [illegible]: Pool purchase price £/MWh	Final Prices for trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	17.71	17.71
0100	17.70	17.70	17.70
0130	17.70	17.70	17.70
0200	17.70	17.70	17.70
0230	17.70	17.70	17.70
0300	17.70	17.70	17.70
0330	17.70	17.70	17.70
0400	17.70	17.70	17.70
0430	17.70	17.70	17.70
0500	17.70	17.70	17.70
0530	17.66	17.70	17.70
0600	17.68	17.64	17.64
0630	17.72	17.70	17.70
0700	22.13	22.82	24.53
0730	26.90	23.66	25.58
0800	24.85	24.16	26.07
0830	28.76	24.69	26.58
0900	28.77	25.09	26.89
0930	28.76	25.11	27.02
1000	28.76	35.39	37.64
1030	27.19	36.38	37.66
1100	27.19	24.74	26.59
1130	27.20	25.10	26.96
1200	27.20	25.10	26.96
1230	27.19	25.08	26.93
1300	26.90	24.69	26.53
1330	26.35	24.66	26.49
1400	24.92	24.65	26.47
1430	24.92	23.91	25.72
1500	24.92	23.91	25.72
1530	24.92	23.91	25.72
1600	24.92	24.46	26.38
1630	24.92	25.02	26.85
1700	28.86	25.02	26.84
1730	28.86	25.01	26.84
1800	28.88	24.45	26.28
1830	22.02	23.66	25.49
1900	34.43	20.03	20.03
1930	34.43	20.03	20.03
2000	31.20	23.46	25.28
2030	31.18	28.01	29.94
2100	27.03	28.01	29.94
2130	27.03	23.46	25.28
2200	27.03	23.46	25.29
2230	27.03	23.46	25.32
2300	22.13	22.22	24.06
2330	21.34	21.89	23.72
2400	21.10	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. [illegible] Monday to Friday.

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COMPANY NEWS IN BRIEF

CAPITA GROUP has acquired Bristol-based Revenue Collection Services, a provider of debt collection services primarily for local authorities, for a total of £1.24m in shares.

GESTETNER HOLDINGS is to acquire the operations of Ricoh Canada. Following the purchase Gestetner will have total Canadian revenues approaching C$150m (£67.5m) annually.

SEET has disposed of Kenneth Mackenzie Holdings, a producer and exporter of Harris Tweed, to Kenneth Macleod (Shawbost) for £1.75m in cash. Mackenzie incurred pre-tax losses of £780,000 and £259,000 respectively for the years ending April 30 1991 and 1992.

Brown & Jackson on course with recovery

By Paul Taylor

BROWN & JACKSON, the discount retailer which operates the Poundstretcher chain of stores and has recently undergone a radical reorganisation, yesterday announced interim results which, as expected, showed pre-tax losses for the nine and six month periods to June 30.

But it was emphasised the group was on course with its recovery programme.

In the first half of 1992 the group ran up a pre-tax loss of £9.73m, including a £643,000 exceptional charge to cover the disposal of A&G Imports. That compared to a deficit of £4.29m in the corresponding period, on turnover which fell by 15.5 per cent to £67.4m (£79.9m).

On a fully diluted basis the loss per share was 8.3p for six months (1.3p).

The group was reverting to a December 31 financial year, so the current accounts would cover 15 months. It also published results for the nine months to June 30. These showed a pre-tax loss, after the exceptional item, of £2.14m or 0.6p a share fully diluted, on turnover of £142m.

Mr Ian Gray, the recently appointed chief executive who leads a new management team brought in following a revolt by institutional shareholders last year, said trading conditions in the first half were difficult and sales at Poundstretcher, which accounted for about 80 per cent of turnover, were down by about 5 per cent over 1991.

In addition, the group was operating for most of the period under severe cash constraints until the proceeds of its £15.6m share placement and open offer were received in late June. This restricted purchasing which had an adverse effect on both sales volume and gross margins.

Nevertheless, the group managed to improve its performance on a quarter-by-quarter basis, reducing pre-tax losses to £3.89m in the three months to June 30 compared to £5.85m in the previous quarter, and £7.6m in the final three months of 1991. Mr Gray said current trading was "in line with expectations".

● COMMENT

Analysing Brown & Jackson's results is complicated by its decision to return to an end-December financial year, a move justified because of the extremely seasonal nature of the business – Poundstretcher's 230 shops traditionally incur losses in all but the last quarter of the year. With the recapitalisation only completed in June, the first half results mark a reasonable start on the recovery road. Ian Gray, a retail specialist from Thorn EMI's rental division before being brought in to help rescue B&J in February, has wasted no time in getting to grips with the problems. Two former subsidiaries have gone, the other non-Poundstretcher interests are under review, and the Poundstretcher shops are being updated and refitted. Stocks have been reduced and firmer mangement and cost controls introduced. With luck, and a good Christmas, the group should break-even this year and be back in the black in 1993.

Harmony pressed to make board changes as losses soar

By Tim Burt

REBEL shareholders at Harmony Leisure yesterday repeated their call for board changes after the USM-quoted restaurants group announced a 70 per cent increase in pre-tax losses.

In the year to March 29 losses reached £3.68m compared with a 1990-91 deficit of £2.17m.

Turnover fell from £9.63m to £6.45m as the directors admitted that "trading conditions were the worst the company has ever encountered".

The pre-tax result was struck after exceptional charges of £2.66m (£1.13m) to cover restructuring and disposals, including an estimated £1.99m reduction in the value of its fixed assets.

Losses per share increased to 13.83p (8.07p). No dividend has been paid since the year ended March, 1989.

The dissident shareholders have requisitioned an extraordinary meeting and claim more than 30 per cent of the shareholders have backed their moves to replace the executive directors.

Rebel leader Mr Simon Lynch, a former managing director of the HH Finch pub group, yesterday described the latest losses as "unbelievable". "I don't see how the board will be able to continue."

Mr Stanley Lever, Harmony managing director, said the company would try to cut costs and pledged to take "whatever steps are appropriate to de-gear.

"We are determined Harmony will be well positioned to take advantage of any improvement in the economy".

Simpsons shows flat second half

By Tim Burt

SIMPSONS of Cornhill, owner of the famous City chop house, yesterday announced a small profit following a year marked by a bitter struggle for control of the company.

The Nottingham-based group made a pre-tax profit of £80,000 in the 53 weeks to July 4.

Hopes of better results were undermined by flat demand in the second half following interim profits of £88,000 in the six months to December 31.

Mr Paul Reece, managing director, said the profit on a turnover of £1.53m would undermine moves by a group of dissident shareholders to unseat the board.

The dissidents – led by Mr Robert Klapp, former chairman of Select Appointments – feared the company had abandoned its strategy of opening themed chop house restaurants. They failed, however, to get two directors elected at an extraordinary meeting in August.

Mr Klapp, who claims the backing of more than 30 per cent of the shareholders, is now seeking another EGM to oust the existing management team.

Simpsons, which came to the USM in August 1991, plans to publish its accounts later this week and Mr Reece predicted they would confound rebel claims that the opening this year of two London bistros – Dell'Ugo and Pallo – had incurred large losses. "We hope the accounts will defuse the rebel moves," he added.

As regards a dividend, the directors have decided to conserve cash resources this time but will consider a payment in the current year.

PUBLIC WORKS LOAN BOARD RATES

Effective October 5

Years	Quota loans* EP†	A††	At maturity§
1			8¾
Over 1 up to 2	8¾	8¾	9
Over 2 up to 3	8⅞	8⅞	9⅛
Over 3 up to 4	9	9	9⅛
Over 4 up to 5	9	9	9¼
Over 5 up to 6	9⅛	9⅛	9⅜
Over 6 up to 7	9⅛	9⅛	9⅝
Over 7 up to 8	9⅛	9⅛	9⅞
Over 8 up to 9	9¼	9⅜	10⅛
Over 9 up to 10	9⅜	9⅜	10¼
Over 10 up to 15	9⅞	10¼	10¾
Over 15 up to 25	10⅝	10¾	10¾
Over 25	10¾	10¾	10¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Austin Reed, Computer People, Grampian Holdings, Hewden-Stuart, Ipeco, Select Appointments, Stylo.

Finals- Allied Leisure, Burn Stewart Distillers, Halstead (James), Renishaw.

FUTURE DATES

Interims-

Boot (Henry)	Oct. 19
Brown (N)	Oct. 14
Capital & Regional Props.	Oct. 14
Cohen (A)	Oct. 9
Craig & Rose	Oct. 22
German Inv. Trust	Nov. 10
Heath (CE)	Nov. 19
Intereurope Technology	Oct. 14
London American Ventures	Oct. 15
Mirror Group Newspapers	Oct. 13
Final-	
New Frontiers Dev. Trust	Oct. 27

Buying costs clip Manchester United 6% to £5.06m

By Jane Fuller

SPENDING on players reduced pre-tax profit at Manchester United, the Premier League football club, by 6 per cent in its first full year as a quoted company.

Although profit before transfer fees went up by 24 per cent to £7.68m (£6.18m), net spending of £2.63m (£801,000) on players – including defender Paul Parker and goalkeeper Peter Schmeichel – cut the pre-tax outcome to £5.06m (£5.38m).

To draw attention to the fact that the players represent an investment, rather than simply a drain on profits, United said it had commissioned an independent valuation by Touche Ross, the accountants, which estimated that the squad was worth £24m. Not that this figure was being put on the balance sheet, said Mr Martin Edwards, chief executive and holder of 28 per cent of the shares.

Mr Robin Launders, finance director, suggested that the share price, which rose from 282p to 289p yesterday (still 96p below the flotation price), was discounting net spending of at least £2m on players this year. So far the £1m paid out for striker Dion Dublin (who has since broken his leg) has been balanced by disposals.

With a further £250,000 added to the transfer reserve, it could support spending of £3.35m on players.

Turnover in the year to July 31 rose 13 per cent to £20.1m thanks to higher attendances – the average gate for league games at Old Trafford was 45,000 – and higher prices. Gate receipts rose to £11.1m (£9.2m).

Income from sponsorship, catering and the club shop rose by between 9 and 14 per cent.

The only decline came in television revenue, from £2.34m to £1.84m.

Mr Edwards said that the club had totted up 110 hours of television the previous year, when it won the European Cup Winners Cup. This year the Premier League deal with BSkyB, the satellite broadcaster, would bring in about £1.8m. Other television income might add another £1m.

Operating profit advanced by 8 per cent to £6.26m (£5.79m). Interest income rose to £1.42m (£385,000) and the amount of cash held increased to £14.8m (£14.1m). This was after capital spending of nearly £4m, including the first £2m of an estimated £10m on the new Stretford End stand.

Mr Launders said that this season building work has reduced capacity from 47,000 to less than 34,000. However, price rises and the reduction in the number of cheaper terrace tickets had raised the average match revenue per person from £9 to £13.10. Next season the capacity would rise again to 43,000.

A final dividend of 12p makes a total of 18p, compared with 17.4p forecast at flotation. Earnings per share improved from 17.8p to 27.6p after the transfer fund appropriation, or to 29.7p, compared with 37p, before it.

See Observer

Poor relations in the Clark family

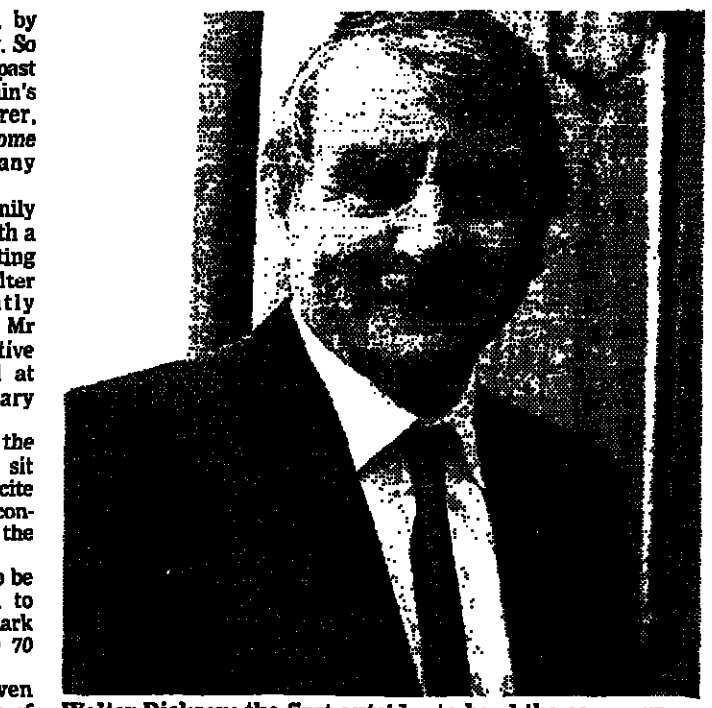
Peggy Hollinger reports on the feud at Britain's biggest shoe maker

THE Clark family is, by nature, publicity shy. So the events of the past weeks at C&J Clark, Britain's largest shoe manufacturer, have come as an unwelcome intrusion into what many regard as a family affair.

The latest salvo in the family feud was fired this week with a letter to shareholders setting out reasons why Mr Walter Dickson, the recently appointed chairman, and Mr James Power, a non-executive director, should be ousted at next week's extraordinary meeting.

The letter, compiled by the four family members who sit on the Clark board, will cite falling profits and a loss of confidence in Mr Dickson as the reasons for the rebellion.

However, there is likely to be a strong emotional appeal to the 500 members of the Clark family, who control some 70 per cent of the company.



Walter Dickson: the first outsider to head the company

The appeal will be given added urgency by the news of a possible bid approach backed by Electra Investments, the venture capital specialists. The deal being discussed involves Clark's management consultant, Mr Colin Fisher, making an offer of about £150m – backed by Electra and other institutions. Mr Fisher is believed to be seeking a more flexible shareholder base, with control in the hands of institutions, in preparation for expansion and eventual flotation.

It is clear some family members are smarting at the attempt to wrest control of the company from its traditional base. Not only by the possible bidders, but by increasing influence of non-family members in the company.

Mr Dickson, who became chairman in May, is the first non-family member to head the company since the brothers Cyrus and James Clark set up shop in their father's farm in Somerset some 167 years ago. It is almost certain that if a bid was made by Mr Fisher, and accepted, Mr Dickson would remain chairman.

The vital question now is whether the majority of the Clark family actually cares if it loses control. Many of the 500 family members are only distantly related to the founding brothers. In fact, only about 10 are direct descendants of Cyrus, with the vast majority owing their stakes to the younger brother James.

For many of the Clark shareholders, the company's private status is inconvenient. Many want to sell, but the matched bargain basis on which the shares trade – at a current price of 128p, valuing Clark at £100m – makes this awkward.

Even the "requisitionists", as the rebel directors are named for calling the egm, have admitted some of the family want to sell shares. Several family members have more pressing needs for the cash, not the least being losses in the Lloyd's insurance market.

A mechanism to buy them out is being explored by the requisitionists, although no decision has been taken.

For many shareholders, who depend on the Clark dividend for their income the final straw was a 50 per cent cut in this year's interim pay-out from 7p to 3.5p. That reduction followed a 20 per cent decrease for the whole of last year.

The cuts were made to pay for the company's wide-ranging restructuring programme. The latest stage of the restructuring was announced only this week, with the closure of the original shoe factory in Street, Somerset. Clark now runs nine factories, almost half of what it had in the heyday of the 1970s.

The UK shoe industry has taken a severe beating from the dramatic growth of cheaper imports. According to the British Footwear Manufacturers' Association, the average price of a pair of shoes from China is £1.75, compared with £8.45 in Britain. Since 1987, the volume of imports has risen by 50 per cent – and even more in the most recent years of recession when price has become all-important.

Seven out of every 10 pairs of shoes purchased in Britain comes from abroad.

UK manufacturers cannot hope to compete unless they source from abroad, as Clark is increasingly doing. Yet Clark still makes more than 60 per cent of its shoes in the UK, more than any other British company. The company's defence against imports is its strength in the children's shoe sector, where they have had less effect. Against such a background it is not surprising that Clark has seen operating profits tumble from £39m to £28m on sales of £594m (£606m) for the year to January 1992.

The recent boardroom split only heightens the company's difficulties and employees are beginning to feel the strain. "It is like one of those management games," said one who preferred to remain anonymous. "Someone keeps handing you problem cards and saying 'now, you deal with that'."

Share slide reduces Trinity flotation price

By Richard Gourlay

TRINITY HOLDINGS is to come to the market at 120p, valuing the maker of chassis for Dennis buses, fire engines and refuse collection vehicles at about £61.7m.

The pricing decision was taken during "traumatic" Monday night talks that followed the plunge in the FT-SE 100 Index and turmoil in the foreign exchange markets, according to Mr Geoff Hollyhead, chairman.

As late as last week, the company had hoped the placing and intermediaries offer would value Trinity at about £80m.

At 120p, Trinity is valued at the equivalent of 11.3 times forecast earnings per share for a pro forma year ending January 1993.

The shares yield 6 per cent at this price on the same basis.

The flotation will raise about £29m net of expenses. Some £14m will repay the debt that financed the 1989 management buy-out from the conglomerate, Hestair. It will also reduce working capital and redeem the preference shares, leaving Trinity virtually debt free.

Directors, other shareholders – like Citicorp and Bankers Trust – and employees will receive another £14m.

The directors and original shareholders now hold 43 per cent of the new equity. The founding shareholders have agreed to hold their shares for at least a year and the directors will not sell for 18 months.

Private investors will be free to apply for 6.4m of the 25.6m new shares by applying to financial intermediaries. Applications must be in by noon on October 14.

Mr Hollyhead describes Trinity as a specialist niche engineer of vehicles. While market growth has been slow or non-existent in the UK, Trinity's share of those markets has grown rapidly.

Its share of the bus market, for example, has grown from 10 per cent in 1982 to 19 per cent in 1990, a year after buy-out and to 50.4 per cent in 1992.

Trinity's share of the refuse collection vehicle market grew from 15 per cent in 1979 to 45 per cent in 1991. Fire trucks remained a static market, with Dennis taking about 40 per cent of the market.

● COMMENT

On the face of it Trinity looks like that rare beast, a management buy-out that is not only cash generative but has growth potential as well. Certainly after three years of notable growth in dull markets for buses, coaches, refuse collection vehicles and fire engines, its past performance is not in question. Beyond the end of 1992, the growth is more in question. Granted a race to develop market dominance in the UK refuse collection market has prevented the company from looking to Europe. That market is now beckoning, indeed more so after sterling's devaluation. Equally eastern Europe through a soon-to-be-signed contract in Poland has great potential. But it is less obvious that next year will see a reversal of the recent UK trend of under-replacement of UK bus stock which Trinity hopes will fuel further growth in the UK. For this year, however, operating profits of £8.5m giving earnings of 10.6p means 120p is a relatively undemanding flotation price.

Hunter Saphir shares fall

HUNTER SAPHIR shares fell 8p to 28p, yesterday following a trading statement given in a circular containing details of the disposal of Emil Tissot Foods to Cavaghan & Gray.

The chairman said that since mid-July, after an excellent first quarter, the fresh produce business had been adversely affected by the general price deflation. In the last three years profits have fallen from £6.05m to £2.51m for the year to the end of February 1992.

As the major part of the business was commission based, the company had incurred no contractual losses. The company had continued to gain market share and to increase volumes but overall commission income had declined.

British Pepper and Spice had maintained its recovery, with revenues up by more than 20 per cent, but it was not yet back into profit. Euroma, the Dutch subsidiary, continued to grow but margins were under pressure.

NEWS DIGEST

Sunset + Vine static at £0.69m

SUNSET + VINE, the television programme production company, reported pre-tax profits for the year to the end of June down slightly at £687,000, against £702,000.

The figure was struck after an exceptional charge of £54,000 this time but included a lower contribution from interest receivable of £107,000 (£203,000).

Mr Colin Frewin, chief executive, said that the company was continuing to develop drama and light entertainment and a range of sports programmes.

In addition, Sunrise Post Productions made a significant contribution to the figures.

He added that he did not hesitate in re-affirming his belief that the company would continue to grow during the recession.

Turnover was £4.51m (£4.02m). Earnings per share were unchanged at 8.8p and the directors are proposing a same again final dividend of 2p for a maintained total of 3.5p.

Mr Frewin said the company had been commissioned to produce two further series of the Gillette World Sport Special, through to the end of 1994, as well as a 13-part Gillette World Cup Special.

N American Gas net asset value lower

Net asset value of North American Gas Investment Trust was 55.5p at July 31, 20 per cent down on the 69.4p of a year earlier.

However Mr Jack Birks, chairman, said the outlook for the current year was promising with higher gas prices beginning to be reflected in improved share prices.

There was a pre-tax profit of £70,000 for the year to the end of July, compared with a loss £74,000, but losses per share of 0.9p (1.22p) after tax. The dividend is held at a total of 2.25p, with a proposed final payment of 1.125p.

Tight controls give S&U a 24% lift

S&U, the Birmingham-based consumer credit house and hosiery maker, increased its pre-tax profit by 24 per cent in the half year ended July 31 1992 mainly through tight cost control.

Turnover rose only 6 per cent, from £23.5m to £24.9m, and the profit came to £2.09m (£1.69m). Adjusting for a scrip issue, earnings worked through at 12.42p (9.85p) and the interim dividend is stepped up to 2.4p (2p).

Loss and dividend cut at Ben Bailey

An erosion of margins and an increased write down in value of land stock pushed Ben Bailey Construction into a loss of £443,000 in the year ended June 30 1992.

The final dividend is halved to 0.25p; that gives 0.55p for the year, against 0.8p last time when the pre-tax profit was £317,000. Losses per share came to 2.98p (earnings 2.16p).

The company said that in the second half there had been a slow but steady deterioration in the willingness of people to buy new homes without heavy incentives and price reductions.

In the face of falling margins maintaining volumes became paramount, and 279 (247) units were sold at an average of £50,000 (£51,000) to produce turnover of £16.9m (£16.5m). But gross profit declined to £1.87m (£3.36m).

Administration expenses were cut as was interest payable. Stock write down was £467,000 (£146,000).

Brittan clears reform of Milk Marketing Board

By David Blackwell

PLANS TO reform the Milk Marketing Board for England and Wales by turning it into a single voluntary co-operative were yesterday cleared under the EC's competition rules of the risk of creating or strengthening a monopoly.

However, Sir Leon Brittan, EC competition commissioner, *said in a letter to Mr John* Gummer, UK agriculture minister, *that he would have pre*ferred the statutory board to be succeeded by "a number of successor organisations rather than a single voluntary co-operative".

The MMB welcomed the acceptance of its plans. Mr Bob Steven, chairman, said: "This announcement is a significant step forward in the process of establishing a successful co-operative."

The Agriculture Ministry said yesterday it expected to table legislation on reforming the MMB early next month.

The MMB's plan to end its 60-year-old monopoly has come under vigorous opposition from the dairy industry. Last month Mr Biran Smith, president of the Dairy Trade Federation (DTF), said he could not understand how a government that believed in a free market could support its plans.

However, the latest MMB plans bear little resemblance to its original ambitions. Sir Leon "noted with approval" that they were "considerably less restrictive of competition than were earlier proposals". In particular Dairy Crest – the MMB's wholly-owned subsidiary with a 25 per cent share of the UK's manufactured dairy products – is to be hived off.

Sir Leon also made it clear that "given the element of uncertainty" over the full details of the plans, his department would be carefully monitoring the initial period of trading by the new co-operative.

Mr Smith of the DTF pointed out yesterday that the EC had been "sufficiently alarmed as to insist on prior changes to the board's plans. The Commission has vindicated recent warnings from the dairy trade, consumers and retailers that an unregulated monoply was in the making."

Sterling crisis batters Irish farmers

By Tim Coone in Dublin

IRISH FARM leaders are appealing for I£18m (£16.7m) in emergency support from the government for beleaguered mushroom, lamb and pig meat exporters, who are being battered by the sterling crisis.

They *have also* requested government backing for a *I£300m DM-denominated loan*, to help farmers who are now facing real interest rates of around 13 per cent since Ireland's recent three percentage point interest rate hike.

Since sterling left the ERM on September 16, it has fallen by 12 per cent against the punt, trading yesterday at around 107.5 to the punt.

In making the appeal *this* week, Mr Tom Parlon, the *Irish Farmers' Association* deputy president, said: "Farmers are entitled to the full benefits of the strong punt and the government's 'no devaluation' policy." The DM loan, he said, would reduce farmers' interest rates by some 5 to 6 percentage points.

Beef and dairy producers are still protected from currency fluctuations by the EC subsidies known as monetary compensation amounts (MCAs), due to be phased out by next *January, but the lamb, pig* meat and mushroom producers enjoy no such protection.

Ireland exports 45 per cent *of its pig meat to the UK*, worth some I£60m per year. *Mushroom growers* are currently exporting some I£43m worth of produce annually to the UK, which represents 80 per cent of total output.

Irish lamb exports, worth some I£150m per year and representing 90 per cent of total lamb output, have been indirectly affected by British lambs displacing Irish produce in the French market, where 90 per cent of Irish lamb exports are destined.

Lamb prices at Irish processing plants this week touched their lowest level in 13 years. According to Mr John Elmore, an IFA spokesman for Ireland's 52,000 sheep farmers, many sheep farmers are now *facing bankruptcy*.

The IFA is calling for a temporary *introduction of MCAs* in the mushroom sector, while an editorial in the Irish Farmer's Journal has gone even further, saying: "The Irish government [should] immediately seek full MCAs on all agricultural produce for non-ERM members. To have floating exchange rates and supposedly fixed agricultural prices is a nonsense. Any further talk of abolishing MCAs from January is not on."

Argentina ready to bite at EC fishing deal

With a bait of $100m, it is hard to resist selling licences, writes John Barham

OVER the last ten years, Argentina's once non-existent fishing industry has grown steadily to the point where the country now exports more fish than beef. In a sense, that is hardly surprising given the aversion to fish in this nation of meat-eaters.

Nonetheless, growth has come more from rising international prices than a huge increase in catches. Last year, *Argentina raised exports to a* record $406.5m (£228.30), 26 per *cent more than in 1990*. But in volume terms, exports were up by just 7.6 per cent to 274,457 tonnes. Five years earlier, in 1987, exports of 242,299 tonnes brought in just $270.2m in export revenues.

Now, the possibility of an agreement with the European Community allowing EC vessels to buy licences to fish in Argentine waters may transform the industry. Argentine *negotiators say the pact would* bring EC grants and loans worth about $100m. That would give the sector a vital new impetus in exchange for allowing around 50 EC ships into Argentine waters that currently remain closed to virtually all foreign fishing ships.

A licensing regime has a special appeal to the government of President Carlos Menem. First of all, the perpetually insolvent state needs revenue. Second, its conversion to free market orthodoxy makes all protectionism *ideologically* suspect.

But the accord's many local opponents say it would fatally undermine Argentina's industry by replacing local vessels with EC ships, deny Argentine companies vital EC markets and make a growing shore-based processing industry impossible.

The opening up of Argentina's seas coincides with the *decline in 'nomad fishing'*. Ships from countries like Poland, Spain, Russia, Taiwan, South Korea and Japan used to roam the seven seas, fishing in international waters. But the extension of territorial waters to 200 miles by many countries has gradually deprived the nomads of fishing grounds and led to a sharp increase in idle tonnage.

The EC's response has been to offer 'exit grants' as one-off payments to encourage idle *ships – nearly all Spanish –* to leave EC registries. It has also negotiated fishing agreements with third countries that allow EC vessels to fish in their waters under licence, in exchange for duty-free access to EC markets for their exports. At present, Argentine exports are subject to EC duties and market quotas.

But Argentina's industry fears that signing an agreement would create a dangerous precedent, encouraging other 'nomad' nations to demand similar rights. And as foreign catches are generally processed and frozen on board *factory* ships and exported direct to *foreign markets*, the great worry is that Argentina's shore-based processing industry would atrophy with the increase in foreign vessels.

Mr Julio Torre, director of Redes, a fishing trade magazine, says: "By not selling licences, the government would encourage *local* industry. Licences are in the purest *colonial style. [With licences]* you would not even have the *fantasy* of having an industry."

Industry lobbyists say that allowing the EC to fish under licence would be especially dangerous because this could cost them their biggest single market: Spain bought a quarter of Argentina's fish exports in 1991. However, it is unlikely that *Argentine negotiators will* grant the Spaniards direct access to quotas of the most sought-after species, like the Hubbsi hake.

However, turning down free cash gifts worth $100m would be hard to justify, as Mr Mario Olaciregui, president of Harengus SA, Argentina's leading fishing company, recognises. He says "Argentina wants more capital, more technology, more investment. The accord with the EC would bring that, plus new ships and finance for research and lower EC duty for Argentina's exports."

However, he warns that these benefits must be weighed against the risk of Spanish ships displacing Argentina's exports to the EC. Furthermore, he claims that EC grants would simply transfer the problem of idle tonnage *from* Spain to Argentina. He says *the only beneficiaries would be* Spanish banks, whose unwise *loans to finance* shipbuilding would be repaid with EC taxpayers' money.

Mr Olaciregui believes that his company's growth should be a paradigm for the rest of the industry. Harengus, founded in 1979, now accounts for almost one-fifth of Argentina's fish and seafood exports.

Mr Olaciregui says: "We have made total investments of $400m-500m in 10 years through *11 different joint* venture companies with foreign *investors*. We *provide* licences, local know-how and administration. But 100 per cent of the financing comes from foreign companies. They also provide technology and the market."

Although there is a will on both sides to reach an agreement, talks have dragged on for months because Argentina was unwilling to allow foreign-flagged vessels into its waters. But officials have promised the Europeans a compromise formula in time for the meeting in Buenos Aires next month.

But there are other complicating factors. To begin with, Argentina's ability to accurately measure fish stocks is widely questioned. Policing is also a serious problem, with the coastguard and navy hopelessly *overstretched. Still*, there is a lot of room for growth: last year's record catch was less than a fifth of the 1992 quota of 1.5m tonnes.

Another problem is the dispute between Argentina and Britain over the Falkland islands. The Falklands have established a successful fish licensing regime in a 150-mile radius around the islands. The British fear increased fishing in Argentine waters could threaten Falklands fish stocks. They also want to make sure *that an EC accord would not* imply recognition of Argentina's claim to the islands.

Irrespective of any deal with the Europeans, Argentina must become internationally competitive. But costs, instead of coming down, are increasing month by month. And like so many other nations rich in natural resources, Argentina must try to maximise the value of raw materials. Mr Torre says catching, filleting and freezing fish in Argentina adds only 30 per cent to value. *The* remaining 70 per cent margin is appropriated by processing plants and distributors in the developed *world*.

Opec output rises to 24.7m barrels a day

By Neil Buckley

OIL production by the Organisation of Petroleum Exporting Countries increased to 24.7m barrels a day in September, according to the International Energy Agency.

Opec agreed at its ministerial monitoring committee meeting in Geneva last month that its market share in the fourth quarter of 1992 should be 24.2m b/d – the equivalent of freezing its claimed August production level – although Kuwait would be allowed to increase production as it continued to rebuild its oil industry after the Gulf war.

However, the IEA's report follows surveys by the Reuters news agency and the magazine Petroleum Intelligence Weekly, which both put real Opec production last month at at least 500,000 b/d higher than the agreed level.

The IEA forecast worldwide oil demand in the fourth quarter at 68.2m b/d – compared with 68.1m b/d in the same quarter last year – suggesting demand for Opec oil could be about 25.5m b/d. Analysts still expect this to produce a tight market and higher oil prices.

Worldwide demand for the year 1992 is estimated at 67.0m b/d, 0.3m b/d more than 1991.

Japanese demand for aluminium to fall

JAPANESE demand for aluminium this year will fall by 8 per cent before the stimulation of the economy next year will result in growth of 3 per cent, Marubeni UK said, Reuter reports.

Demand growth this year will be restricted to aluminium can sheets, Marubeni predicted. Other areas such as extrusions, general purpose sheets and coils, and the car industry will register demand falls.

Marubeni estimated that the CIS will export around 750,000 tonnes of primary ingot to the West as well as significant tonnages of "off-grade" metal.

Recent Chinese buying has amounted to 150,000/200,000 tonnes, although China is not expected to be as consistent a purchaser from now on, it said.

Bright future seen for aluminium contract

By Kenneth Gooding, Mining Correspondent

DEMAND FOR secondary (or recycled) aluminium is forecast to nearly double by the year 2,000, which is why the London Metal Exchange expects a bright future for its new secondary aluminium alloy contract, said Mr John Wolff, the LME chairman, yesterday.

The new contract, for material used mainly by diecasters supplying the motor industry, started quietly yesterday but *this was widely expected*. Mr Wolff said: "It will take time to bed down. But it is a very large market and growing."

He pointed out that about 4.5m tonnes of aluminium alloy was produced each year and output was growing at an annual 6 per cent, driven by the increasing use of the metal by car makers attracted by its light weight and recyclability.

Cash trading of the contract – the LME's first new one since nickel was launched in 1979 – will begin on January 4. *Stocks have already started* to build up in LME warehouses and the exchange *will* give details of total tonnages at the end of October. The LME had to invent a symbol for the material (see insert above).

Mr Ralph Kestenbaum, chairman of the LME's aluminium alloy committee, said that on the unofficial market in the past two months alloy *had* been traded at a $10 a tonne *premium to the LME's* primary aluminium contract and also at a $65 discount. This showed that the primary contract was not a satisfactory proxy for alloy and the new contract was needed.

The alloy price, which was $1,160 a tonne on the unofficial market on Monday, closed yesterday at $1,175.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,300	to 1,372,825
Copper	+3,025	to 299,775
Lead	+4,025	to 174,500
Nickel	+180	to 46,524
Zinc	+1,625	to 368,375
Tin	+90	to 14,995

India fears sugar crop will fall to 12m tonnes

By Kunal Bose in Calcutta

INDIA fears sugar production in the current season will be at least 10 per cent below target at a little over 12m tonnes, compared with a record 13.5m tonnes in the year to this September.

Because of a prolonged dry spell at planting time, India will not only harvest a smaller cane crop, but in several states the crushing operation will be delayed by four to six weeks. Sugar mills will also have stiff competition for cane from indigenous manufacturers of sweeteners like gur and khandsari.

The federal government is not worried by the shortfall since the current season's opening stock of 4.7m tonnes can satisfy four and a half months' domestic demand.

India's domestic consumption of sugar, which is growing at an annual rate of 6 per cent to 7 per cent, was 11.4m tonnes in 1991-92. According to Mr Om Dhanuka, spokesman for the Indian Sugar Mills Association (ISMA), the shortfall in sugar production will not stand in the way of exports, which were begun in 1990-91.

Mr G Patil, president of the National Federation of Co-operative Sugar Factories (NFCSF), has asked the government to release one million tonnes of sugar for export during 1992-93.

Both ISMA and NFCSF argue foreign buyers will regard India as a "serious and regular exporter of sugar" if it creates a buffer of at least one million tonnes. The Food and Civil Supplies Ministry agrees, but the final decision rests with the finance ministry.

MINOR METALS

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,700 (1,640-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5%, per lb, in warehouse, 0.60-0.70 (0.65-0.75).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.50-15.50 (16.00-16.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European *free market, drummed molyb*dic oxide, $ per lb Mo, in warehouse, 2.15-2.25 (2.20-2.30).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 48-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.85-2.00 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.75 (8.05).

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices performed strongly on the LME's afternoon *kerb, ending firm and pulling* other depressed metals off their lows, dealers said. The upturn in copper was technically *motivated, following several* sessions of plunging prices. However dealers say the fundamental weakness of the base metal sector, namely sluggish global economic prospects, will restrict the extent of rallies. **NICKEL** closed steady, partly aided by Inco's moves to reduce 1993 production by some 18,000 tonnes. But for the market to sustain a rally other producers need to follow suit, *dealers said. New York's arabica* **COFFEE** *futures were broadly* higher at midday on technical *factors and uncertainty over* future shipments from Brazil. "The *situation in Brazil is* worsening. Their internal market *remains strong, and every* indication points to exports in September being lower than in August," said a dealer. London robusta coffee rallied in late trade and closed at the day's highs in most positions. **GOLD** held steady on the London bullion market, with US funds apparently holding their positions against the background of recent volatility in currency and equity markets.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.10-8.20z	
Brent Blend (dated)	$20.15-0.25	-.025
Brent Blend (Nov)	$20.30-0.40	-.025
W.T.I (1 pm est)	$21.75-1.85z	+0.05

Oil products
(NWE prompt delivery per tonne CIF

		+ or -
Premium Gasoline	$217-219	
Gas Oil	$185-196	+2
Heavy Fuel Oil	$100-102	-1
Naphtha	$189-190	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$350.15	-0.9
Silver (per troy oz)♣	375.5c	-4
Platinum (per troy oz)	$363.50	-2
Palladium (per troy oz)	$95.40	+0.4
Copper (US Producer)	107.0c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	15.53r	-0.22
Tin (New York)	291.0c	-2.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106.89p	+0.80*
Sheep (live weight)†♠	73.69p	+3.04*
Pigs (live weight)†	78.04p	+1.05*
London daily sugar (raw)	$227.0w	+4
London daily sugar (white)	$263.0w	-2
Tate and Lyle export price	£241.0	+2
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£141.5	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	56.75p	+0.25
Rubber (Dec)♥	56.50p	+0.25
Rubber (KL RSS No 1 Oct)	222.5m	
Coconut oil (Philippines)§	$465.0y	-5
Palm Oil (Malaysian)§	$392.5z	
Copra (Philippines)§	$312.5	
Soyabeans (US) ‡	£142.5	
Cotton "A" index	53.70c	-0.2
Wooltops (64s Super)	405p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec y-Nov/Dec u-Oct. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. ‡ Correction 6/10/1992 £142.5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	194.00		192.00
Mar	194.00	194.00	193.00
May	196.00		195.00
White	**Close**	**Previous**	**High/Low**
Dec	255.50	256.50	257.00 255.20
Mar	255.00	256.60	257.20 255.00
Oct	251.50		252.00

Turnover: Raw 33 (16)lots of 50 tonnes. White 1011 (1988) Paris- White (FFr per tonne): Dec 1250.13 Mar 1294.53

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	20.35	20.36	20.38 20.28
Dec	20.40	20.40	20.42 20.33
Jan	20.39	20.36	20.41 20.31
Feb	20.31	20.24	20.29 20.22
Mar	20.17	20.18	20.19 20.12
Apr	20.06	20.05	20.07 20.00
Jun	19.92	19.88	19.84 19.83
Jul	19.84	19.85	19.78 19.73
IPE Index	20.38	20.49	

Turnover 18387 (21520)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	189.25	189.50	189.75 188.75
Nov	193.25	193.25	194.00 192.75
Dec	195.75	195.75	195.75 195.00
Jan	195.75	195.75	195.75 195.00
Feb	192.25	192.25	192.25 191.50
Mar	185.50	186.00	186.00 185.50
Apr	181.50	182.00	182.00 181.50
May	178.75	179.25	179.25 178.75
Jun	177.50	177.75	177.75 177.50

Turnover 12786 (11783) lots of 100 tonnes

JUTE
C and F Dundee: BTC USD370, BWC USD385, BTD USD335, BWD USD345. C and F Antwerp: BTC USD345, BWC USD345, BTD USD325, BWD USD325.

COTTON
LIVERPOOL- Spot and shipment sales for the week ending 2 October amounted to 237 tonnes against 136 tonnes in the previous week. Sales were moderate and occurred mainly in American and Mali Growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	686	684	695 685
Mar	711	712	721 710
May	728	729	736 728
Jul	744	745	754 744
Sep	762	763	769 760
Dec	789	790	792 787
Mar	816	818	824 815
May	834	836	843 833

Turnover: 5581 (6221) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 5 765.77 (752.08) 10 day average for Oct 6 751.05 (750.50)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	833	803	834 812
Jan	845	820	845 829
Mar	858	836	857 844
May	858	833	865 843
Sep	870	850	868

Turnover:5227 (1237) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct.5: Comp. daily 49.44 (48.93) 15 day average 47.94 (47.64)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	62.3	63.4	62.0 61.1

Turnover 17 (76) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	133.50	136.00	

Turnover 0 (100) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1078	1090	1088 1077
Nov	1110	1117	1115 1102
Dec	1115	1120	1116 1111
Jan	1160	1158	1160 1145
Apr	1200	1200	1200 1195
Jul	1090		1090
Oct	1285	1280	1285
BFI	1033	1035	

Turnover 334 (237)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	121.40	121.25	121.40 120.75
Jan	124.60	124.30	124.60 123.75
Mar	127.80	127.60	127.80 127.15
May	130.35	130.25	130.35 130.00
Barley	**Close**	**Previous**	**High/Low**
Nov	120.60	119.90	120.60 120.00
Jan	124.50	123.90	124.50 123.70
Mar	127.50		127.50 126.50
May	129.25		129.25 128.75

Turnover: Wheat 257 (480), Barley 75 (46). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	95.0	94.0	95.0
May	103.0	101.8	102.5 102.0

Turnover:4 (16) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 40,954 lots
Cash	1197.5/98.5	1199-1200		1193-93.5		
3 months	1221.5-22	1222.5-23	1234/1216	1216.5-17	1223.5-24	195,196 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,199 lots
Cash	1322-23	1313-14	1320/1315	1320-21		
3 months	1355-56	1346.5-47	1364/1346	1352-53	1363-64	149,603 lots
Lead (£ per tonne)						Total daily turnover 5,285 lots
Cash	329-30	332-33	329.25/329	329-29.25		
3 months	341-42	344-45	343/341	341-42	341-42	25,127 lots
Nickel ($ per tonne)						Total daily turnover 6,577 lots
Cash	6616-20	6615-20		6575-80		
3 months	6690-93	6690-95	6730/6620	6660-65	6695-700	28,570 lots
Tin ($ per tonne)						Total daily turnover 3,228 lots
Cash	6280-85	6345-50	6280	6280-85		
3 months	6350-55	6410-15	6410/6325	6345-50	6350-60	11,403 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 27,628 lots
Cash	1193-95	1250-51	1207/1205	1206-07		
3 months	1208-09	1243-44	1257/1195	1213-14	1209-10	63,812 lots

LME Closing £/$ rate:
SPOT: 1.7113 3 months: 1.6867 6 months: 1.6704 9 months: 1.6512

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	350.00-350.30	
Opening	350.50-350.90	
Morning fix	350.50	204.731
Afternoon fix	350.30	203.959
Day's high	350.85-351.15	
Day's low	349.70-350.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.89	6 months	2.00
2 months	1.89	12 months	2.08
3 months	1.93		

Silver fix	p/troy oz	US cts equiv
Spot	218.50	376.85
3 months	223.40	378.65
6 months	227.85	381.45
12 months	236.45	387.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	349.00-351.00	203.00-205.00
Maple leaf	360.70-363.05	-
New Sovereign	84.00-86.00	49.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1150	61	88	3	6
1200	22	51	12	19
1250	4	25	44	42
Copper (Grade A)	**Calls**		**Puts**	
2200	96	125	4	18
2300	26	61	36	53
2400	4	24	111	114
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
650	183	196		1
700	133	146		3
750	84	104	1	9
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
575	113	141	2	5
600	90	120	4	9
625	68	100	58	14
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000			6	21
2050	10	32	28	45
2100	1	16		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	350.1	350.5	350.4	350.2
Nov	350.6	351.2	351.3	351.3
Dec	351.4	352.0	351.8	350.9
Feb	352.8	353.4	353.3	352.4
Apr	354.0	354.7	354.4	351.4
Jun	355.3	356.1	355.6	351.2
Aug	356.7	357.6	357.0	357.0
Oct	358.3	359.2	0	0
Dec	359.9	360.9	360.2	360.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	363.6	367.6	365.5	363.0
Jan	359.6	364.8	364.0	358.2
Apr	357.5	362.9	357.7	357.5
Jul	357.5	362.9	0	0
Oct	360.5	365.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	373.3	374.9	0	0
Nov	374.0	375.6	0	0
Dec	375.5	377.2	377.0	374.5
Jan	376.7	378.4	0	0
Mar	379.0	380.7	380.5	378.5
May	381.2	382.9	0	0
Jul	383.4	385.1	384.5	383.0
Sep	385.6	387.6	0	0
Dec	389.7	391.4	392.0	390.0
Jan	390.5	392.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	101.56	100.45	101.50	100.60
Nov	102.00	100.95	102.10	101.30
Dec	102.56	101.45	102.75	101.25
Jan	103.00	101.95	103.10	102.15
Feb	103.35	102.25	0	0
Mar	103.70	102.65	103.80	102.50
Apr	103.80	102.70	0	0
May	104.15	103.15	104.40	103.40
Jun	104.30	103.30	0	0
Jul	104.40	103.45	104.10	103.65

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.56	8.69	8.71	8.55
May	8.65	8.76	8.77	8.65
Jul	8.69	8.78	8.80	8.68
Oct	8.65	8.76	8.74	8.65
Mar	8.71	8.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	21.81	21.77	21.85	21.72
Dec	21.72	21.68	21.78	21.63
Jan	21.66	21.61	21.68	21.58
Feb	21.55	21.50	21.58	21.48
Mar	21.43	21.37	21.44	21.37
Apr	21.31	21.25	21.32	21.25
May	21.20	21.13	21.20	21.13
Jun	21.10	21.02	21.10	21.03
Jul	21.01	20.92	21.03	20.93
Aug	20.93	20.84	20.93	20.87

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	63.32	63.53	63.70	63.20
Dec	64.11	64.32	64.45	64.05
Jan	64.51	64.69	64.80	64.40
Feb	63.53	63.79	63.85	63.45
Mar	61.13	61.34	61.40	61.05
Apr	59.08	59.28	59.45	59.20
May	57.68	57.84	58.00	57.75
Jun	56.73	56.89	57.00	57.00
Jul	56.58	56.69	56.80	56.70
Aug	57.13	57.19	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1020	1038	1048	1015
Mar	1064	1083	1092	1061
May	1090	1110	1120	1090
Jul	1128	1141	1149	1142
Sep	1168	1173	0	0
Dec	1191	1204	0	0
Mar	1225	1245	1225	1225
May	1255	1270	1274	1262
Jul	1292	1307	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	59.00	58.00	60.10	57.95
Mar	60.80	59.75	61.75	59.80
May	64.25	63.10	65.00	63.15
Jul	65.75	64.50	66.30	64.75
Sep	66.75	65.75	67.70	66.10
Dec	69.15	68.30	0	0
Mar	71.35	70.65	71.50	71.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	57.52	56.12	57.90	56.40
Dec	53.20	52.20	53.90	52.90
Mar	53.84	52.97	54.50	53.60
May	54.45	53.80	55.00	54.35
Jul	55.25	54.30	55.60	54.90
Oct	56.05	55.00	56.05	55.80
Dec	56.40	55.45	56.60	56.20
Mar	57.00	56.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	107.35	106.60	107.60	105.80
Jan	107.40	107.10	107.95	106.55
Mar	108.00	107.85	108.70	107.50
May	109.45	109.20	109.40	108.25
Jul	109.15	108.70	109.60	109.00
Sep	108.80	108.70	109.00	108.80
Nov	108.80	108.70	109.00	109.00
Jan	108.80	108.70	109.00	109.00
Mar	109.00	108.70	109.00	109.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct.6	Oct.5	mnth ago	yr ago
1575.3	1573.5	1608.4	1610.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct.5	Oct.2	mnth ago	yr ago
Spot	113.55	113.30	-	114.87
Futures	114.50	114.46	-	123.11

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	530/6	528/2	533/2	528/0
Jan	537/0	535/0	539/4	534/4
Mar	543/2	541/6	545/4	541/0
May	551/2	549/0	552/6	549/0
Jul	558/4	556/4	560/0	556/0
Aug	561/0	558/4	562/0	559/0
Sep	559/4	559/4	0	0
Nov	565/6	565/0	567/4	565/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.12	17.92	18.22	17.93
Dec	18.35	18.17	18.49	18.18
Jan	18.53	18.36	18.66	18.38
Mar	18.77	18.64	18.88	18.61
May	19.01	18.91	19.15	18.90
Jul	19.25	19.15	19.36	19.16
Aug	19.37	19.29	19.50	19.38
Sep	19.46	19.40	19.60	19.46

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	183.2	183.0	183.6	182.6
Dec	183.2	183.1	184.0	182.8
Jan	183.4	183.3	183.9	183.1
Mar	183.4	183.3	183.9	183.1
May	183.7	183.7	184.0	183.3
Jul	185.3	185.2	185.8	185.0
Aug	186.0	185.8	186.0	186.0
Sep	187.0	186.6	187.3	186.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	210/6	210/2	211/6	209/6
Mar	219/4	219/2	220/4	218/4
May	226/0	225/0	226/4	224/4
Jul	230/4	230/0	231/2	229/4
Sep	233/0	232/6	233/4	232/4
Dec	236/4	235/4	236/6	235/2
Mar	242/6	242/0	242/6	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	345/6	346/4	346/4	343/2
Mar	346/6	346/4	347/4	343/4
May	338/2	337/4	338/4	335/4
Jul	319/0	319/4	320/0	318/0
Sep	324/4	325/0	0	0
Dec	334/4	334/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.475	75.375	75.850	75.300
Dec	73.325	73.125	73.525	73.100
Feb	71.450	71.200	71.650	71.400
Apr	72.400	72.150	72.525	72.300
Jun	69.400	69.150	69.450	69.250
Aug	68.075	67.625	68.200	68.050
Oct	68.350	68.025	68.400	68.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.800	43.250	43.075	42.650
Dec	43.250	43.600	43.450	43.050
Feb	41.925	42.275	42.275	41.775
Apr	39.950	40.250	40.250	39.900
Jun	44.975	45.200	45.175	44.950
Jul	44.875	44.800	44.700	44.625
Aug	43.550	43.750	43.550	43.400
Oct	40.675	40.725	40.700	40.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.800	39.300	39.500	38.700
Mar	38.725	38.175	39.250	38.675
May	40.250	40.675	40.700	40.250
Jul	40.500	40.800	40.700	40.500
Aug	39.000	39.500	0	39.000

LONDON STOCK EXCHANGE

Rally in equities helped by sterling

By Terry Byland, UK Stock Market Editor

THE SHARP rebound in sterling in Far Eastern markets overnight enabled the UK stock market to outpace the recovery in other European equities yesterday. Trading volume was unimpressive, however, and confidence remained fragile as the stock market awaited a government statement on economic strategy, perhaps at the annual conference of the governing Conservative party which is now in session in Brighton.

The market made a strong start as sterling rose to DM2.4548, compared with around DM2.3700 at Monday's low point. London was also encouraged by Wall Street's success in rallying overnight to a close of minus 21.6 on the Dow, a great relief after the 100 Dow loss showing as London closed on Monday.

Equities advanced rapidly yesterday morning and the FT-SE Index had gained more than 41 points by mid-session. Traders identified some genuine institutional demand for shares, and there were substantial gains in some of the banking and retail stocks which suffered heavily in Monday's shakeout.

Investors backed away nervously when Wall Street opened lower, but London regained its confidence as the Dow rallied to show a loss of a mere 1.89 points in UK hours. The final reading showed the Footsie at the day's peak of 2,488.4, a recovery of 42.1 points.

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30am two business days earlier.

Seaq volume of 467.1m shares compared with 477.6m in the previous session; Stock Exchange statistics disclosed that retail business fell to £885m on Monday, barely half that of recent sessions, confirming that the big institutions played little role in the day's 4 per cent collapse in the equity market.

Activity focused around selected situations, with bid features attracting attention again, although confirmation of a bid approach at Owners Abroad did not come until after the market closed.

Signs of a transatlantic two-way pull in Ranks Hovis McDougall appeared, as some UK institutions took profits but US arbitrageurs, confident that Hanson Group will increase the offer terms, continued to buy the shares.

There were US buyers also for Glaxo, which has underperformed since the London market turned higher after sterling's withdrawal from the ERM system. BAT Industries, another transatlantic favourite, moved up sharply.

Traders were wary of exaggerating yesterday's recovery, which still leaves the Footsie with a gain of around only 5 per cent since Black Wednesday, less than half of the gain recorded in the market's immediate response to the government's decision to quit the ERM.

Although hopes for another cut in domestic base rates are now on hold, some UK strategists believe US rates could be cut again later this week.

But investment confidence is still significantly restrained by uncertainty over official policies towards sterling and interest rates. The market will focus on tomorrow's speech at the Conservative party conference by Mr Norman Lamont, the chancellor of the exchequer.

Barclays under pressure

BARCLAYS Bank shares attracted exceptionally heavy two-way trading activity after Credit Lyonnais Laing, the French-owned stockbroker, was said to have trimmed its dividend forecasts for the bank.

The stockbroker declined to give details of any forecast reduction but said it felt Barclays would be prudent to consider a cut in the payment in order to protect its capital ratios. Dealers in the market said that a large line of Barclays stock, rumoured to have been as large as six to seven million shares, had been offered around the market.

Barclays shares fell to 325p at one point, but later rallied to end the session a net 4 higher at 335p on turner of 13 million.

Grand Met busy

Brewery and food group Grand Metropolitan recorded its largest share turnover for five years as some investors decided that the recent bleak trading had now been discounted and that the shares looked cheap. The stock climbed 19½ to 379½, the best performing FT-SE stock, in huge turnover of 18m. Grand Met has been dogged by poor trading news, particularly in its US food operations, in recent months, which led to two sets of brokers' downgrades last month. These prompted institutional investors to bale out, bringing a steep slide in the share price.

However, Strauss Turnbull was prominent among a number of brokers and institutions yesterday to recommend the stock. Strauss analyst Ms Alex Oldroyd said: "While the size of the problems in the US are unclear and remain a cloud on the horizon, the fundamentals of the company remain sound and at this price the shares look cheap." Other analysts pointed to currency considerations likely to benefit Grand Met and to the fact that the shares underperformed by some 17 per cent last month.

Owners approached

Holiday group Owners Abroad finally bowed to market pressure and admitted in a statement after another day's hectic trading that it had been approached by a predator, although no formal offer had been made. The group's shares rose a further 6 to 77p yesterday, a rise of 31 on their low-point of 46p just three weeks ago. Market sources said that the group had been forced by the Stock Exchange authorities to make the announcement in order to clarify the situation.

The confirmation by Owners, Britain's second largest tour operator, fuelled speculation, already rife, over who the predator might be. While some in the market were suggesting LTU, the German airline group, others were pointing nearer home, to Airtours, one of Owners main rivals. Neither company would comment on the speculation last night. Airtours shares added 6 to 246p.

Standard Chartered jumped 23 to 445p, boosted by a profits upgrading instigated by BZW. The broker was said to have lifted its current year estimate from £210m to £225m and that for next year from £325m to £345m.

In composite insurances, General Accident recouped 19 to 504p and Sun Alliance 12 to 285p.

The recent bout of outperformance by Shell Transport, which took the shares close to their all time high relative to the market, came to a halt. The shares fell 3½ to 531p on 3.7m traded, ahead of a presentation to oil analysts today by a senior executive from Shell's chemicals division.

Dealers said some institutions, mindful of the profits warning issued recently by ICI, had decided to lock in profits in Shell.

The rest of the oil sector performed strongly. BP, benefiting from switching from Shell, rose 4½ to 215½p on 8m traded.

The forthcoming US listing and expected good news from the current series of presentations to US institutions continued to produce a stream of buying orders for Enterprise Oil.

But the main thrust behind yesterday's rise of 7 to 415p came from a buy recommendation issued by Kleinwort Benson. The broker said Enterprise offers "secure growth and income". It added that Enterprise is "fundamentally strong with proven and probable reserves of 948m barrels of oil and has a portfolio of assets encompassing North West Europe, Italy, the Black Sea, and the Far East.

It spoke of a production profile rising sharply, a cash flow multiple of below four times in the mid-1990s, and reduced gearing after the completion of the ADR issue.

East Midland Electricity, rumoured to be interested in British Coal, edged up 2 to 376p.

Electronic Data shares shot up 50 to 465p after an agency cross of 45,000 shares transacted at 475p.

Prudential Group shares moved erratically. They opened firmer in line with the market but came under sustained pressure during early trading after news that the company's Mercantile & General (M & G) subsidiary estimated its losses resulting from hurricanes Andrew and Iniki at around £30m.

Dealers were also initially concerned at news that M & G was taking strong action to remedy the problems at its reinsurance business.

But two presentations by the insurance group, the first to insurance analysts and the second to institutions, detailing moves by M & G to adopt a tough line of renewals and cut expenses, was well received and saw Prudential shares stabilise and then move ahead strongly. They ended a busy session a net 9 higher at 259p.

Sustained selling pressure sent shares in Rank Organisation tumbling in a thin market. Dealers said the afternoon fall came after one leading house was left with some stock on its books after matching a large buyer and seller. They closed 20 off at 515p with just 370,000 traded.

Shares in Babcock International fell sharply, giving up 9 to 31¼p, to make it the day's worst performing stock in percentage terms, after a couple of brokers downgraded profit expectations and provoked doubts about the dividend. Smith New Court reduced its current year estimate by £10m to £40m while Panmure Gordon reduced its figure by £8m to £42m.

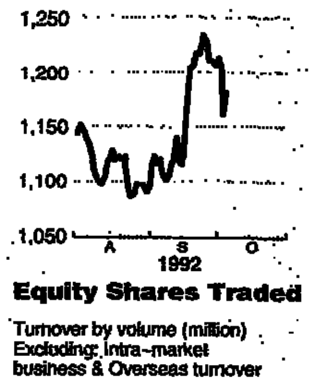
Profit taking in British Aerospace led the shares to buck the market trend. They ended 4 lighter at 131p.

The latest bid speculation in the engineering sector focused around Lucas Industries, considered one of the great names in British engineering. The suggestion was that engineering group Siebe could launch a bid for the engineering and motor components group. Speculation sent Lucas shares climbing 6 to 92p. Siebe hardened 2 to 337p with a further advance checked by the bid talk and availability of stock.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,
Christopher Price.

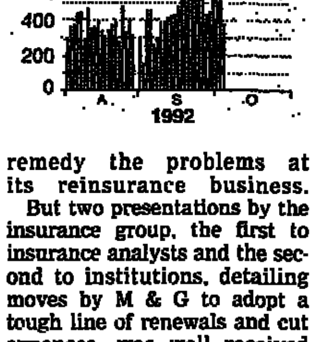
■ Other market statistics, Page 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

FINANCIAL TIMES STOCK INDICES

	Oct 6	Oct 5	Oct 2	Oct 1	Sept 30	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.04	87.72	88.85	89.21	89.35	87.12	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	102.31	102.54	103.76	103.98	104.35	97.02	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1814.2	1779.3	1852.5	1875.1	1860.6	1991.6	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	69.4	68.6	73.1	73.0	74.2	167.2	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2488.4	2446.3	2549.7	2572.3	2553.0	2599.5	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1035.93	1010.09	1062.72	1077.67	1079.39	1160.51	1248.79 (11/5)	1010.09 (5/10)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.89	4.98	4.79	4.74	4.76	4.68				
●Earning Yld %(full)	7.10	7.23	6.98	6.90	6.94	7.46				
●P/E Ratio(Net)(☆)	17.85	17.53	18.15	18.36	18.25	16.72				
SEAQ Bargns 5.00pm	20,648	22,892	26,423	25,704	20,685	28,265				
Equity Turnover(£m)†	-	885.0	1094.4	1437.3	1532.0	845.9				
Equity Bargains†	-	25,466	26,629	29,956	25,176	28,436				
Shares Traded (ml)†	-	385.9	563.0	722.8	560.9	304.0				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 16.55.

Ordinary Share Index, Hourly changes — Day's High 1816.7 — Day's Low 1800.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1808.2	1807.3	1810.5	1813.6	1815.5	1813.5	1812.9	1802.7	1812.0

FT-SE 100, Hourly changes — Day's High 2488.4 — Day's Low 2467.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2484.7	2480.0	2481.5	2481.8	2487.1	2484.2	2483.7	2473.2	2484.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1038.82 — Day's Low 1030.08

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1030.10	1037.87	1037.78	1035.92	1034.87	1031.68	1036.71

GILT EDGED ACTIVITY

Indices*	Oct 5	Oct 2
Gilt Edged Bargains	152.8	124.5
5-Day average	134.6	129.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS in the derivatives reported a dull but volatile session which saw turnover return to more modest levels, writes Joel Kibazo.

In stock index futures, the December Footsie contract opened strongly at 2,495 following the sizeable overnight bounce on Wall Street, the improved performance of sterling and a squeeze as several dealers moved to cover short positions. After a brief reversal which followed a bout of profit taking, the contract traded in a narrow range of 2,500 and 2,520 for the next few hours with traders seeing 2,510 as a selling opportunity.

The poor opening on Wall Street led to a sharp decline in December in the afternoon when the contract fell to 2,487, the low point of the day before bargain hunting helped steady nerves and led to a recovery, though this was curtailed by a large selling order at the close in which traders continued to deal in after hours trading.

December closed at 2,511, up 51 on Monday's poor close but around 6 points below its estimated fair value premium to cash of about 32. Turnover was a meagre 7,300 contracts.

Turnover in traded options reached a poor 24,629, down sharply on Monday's total of 40,670 lots. Some 8,723 lots were dealt in the FT-SE 100 options contract, while Amstrad was the busiest stock option at 2,140 trades.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 6 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Oct 5 Index No.	Fri Oct 2 Index No.	Thu Oct 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (174)	729.26	+0.4	7.96	6.01	16.28	27.44	726.25	752.93	758.26	832.98
2	Building Materials (23)	664.17	-0.3	7.93	8.28	17.82	34.67	665.91	697.04	700.08	1011.50
3	Contracting, Construction (26)	594.84	-1.0	3.54	8.46	180.92	32.23	601.08	617.04	618.50	1124.14
4	Electricals (9)	2007.88	+0.4	8.33	7.49	15.87	85.80	1999.46	2038.53	2047.59	2619.96
5	Electronics (27)	2023.86	+1.0	8.05	4.21	15.63	47.93	2003.62	2059.26	2059.98	1742.66
6	Engineering-Aerospace (6)	276.12	-0.2	13.06	8.45	9.72	13.53	276.72	285.67	283.64	363.66
7	Engineering-General (43)	441.09	-0.7	9.16	5.33	13.93	15.00	444.24	455.10	455.52	493.70
8	Metals and Metal Forming (7)	304.41	+0.1	5.71	7.19	25.47	7.52	304.16	316.77	315.73	450.14
9	Motors (14)	295.33	+1.7	8.97	8.00	14.67	14.79	290.35	296.36	302.48	341.50
10	Other Industrials (19)	1684.25	+0.9	7.45	4.95	16.22	59.29	1668.46	1747.54	1775.19	1608.75
21	CONSUMER GROUP (191)	1553.81	+1.9	7.43	3.71	16.68	34.19	1525.20	1585.44	1599.18	1549.95
22	Brewers and Distillers (25)	1861.98	+2.8	8.95	3.95	13.47	41.43	1812.14	1892.38	1949.71	1935.67
25	Food Manufacturing (19)	1197.62	+0.6	8.95	4.42	13.82	28.04	1190.37	1198.49	1198.39	1227.02
26	Food Retailing (18)	2651.50	+0.5	9.41	3.49	13.78	53.95	2639.13	2746.29	2764.01	2489.10
27	Health and Household (26)	4037.45	+2.7	5.48	2.74	21.14	70.35	3933.14	4098.17	4107.77	3739.46
29	Hotels and Leisure (18)	1037.36	+0.3	7.58	6.58	17.35	45.99	1033.78	1084.92	1090.76	1329.26
30	Media (26)	1563.62	+1.2	6.31	3.36	19.76	35.10	1544.72	1603.57	1617.22	1520.50
31	Packaging, Paper & Printing (17)	714.76	+0.9	7.10	4.53	17.54	22.00	708.38	728.68	741.57	770.20
34	Stores (33)	995.33	+2.8	7.16	3.64	18.59	19.14	968.36	1022.39	1025.54	990.13
35	Textiles (9)	665.72	+0.3	7.13	4.61	17.65	16.65	663.82	678.82	671.97	627.17
40	OTHER GROUPS (117)	1248.84	+1.4	9.99	5.42	12.53	40.44	1231.91	1272.96	1281.90	1301.54
41	Business Services (18)	1285.20	+1.4	6.88	3.95	17.80	25.69	1267.62	1320.59	1336.35	1434.42
42	Chemicals (22)	1318.76	+0.7	7.44	5.50	16.70	48.39	1309.43	1345.60	1362.04	1469.27
43	Conglomerates (10)	1211.77	+1.0	9.51	9.08	13.45	40.82	1199.66	1236.55	1250.37	1513.08
44	Transport (14)	2370.64	+1.3	8.48	4.99	14.51	76.54	2341.11	2465.20	2524.92	2363.33
45	Electricity (16)	1402.98	+1.7	14.83	5.23	8.69	55.01	1379.99	1405.32	1402.82	1256.56
46	Telephone Networks (4)	1409.22	+1.0	10.72	4.69	12.15	46.15	1395.09	1446.88	1450.30	1615.66
47	Water (11)	2894.78	+0.6	15.45	5.98	7.16	86.85	2876.40	2929.05	2871.66	2487.92
48	Miscellaneous (22)	2116.99	+3.0	6.24	4.76	20.13	55.33	2054.35	2135.59	2169.82	1871.29
49	INDUSTRIAL GROUP (482)	1249.76	+1.5	8.36	4.66	14.98	35.07	1231.77	1277.34	1287.37	1295.34
51	Oil & Gas (18)	2006.75	+0.8	6.72	6.46	19.50	85.40	1990.84	2048.33	2054.49	2456.25
59	500 SHARE INDEX (500)	1319.78	+1.4	8.19	4.85	15.36	39.07	1301.67	1348.71	1358.62	1394.71
61	FINANCIAL GROUP (83)●	731.32	+1.6	-	6.04	-	30.11	719.52	754.24	758.63	813.08
62	Banks (9)●	991.41	+1.6	5.23	5.61	28.72	40.52	975.68	1023.87	1025.86	956.56
65	Insurance (Life) (6)	1499.78	+2.5	-	6.06	-	67.14	1463.47	1548.51	1584.33	1507.38
66	Insurance (Composite) (7)	519.20	+3.2	-	5.79	-	18.85	502.99	536.94	542.68	617.31
67	Insurance (Brokers) (10)	682.87	+0.4	10.48	8.23	12.53	42.23	680.29	700.64	698.41	1163.16
68	Merchant Banks (7)	451.98	-0.5	-	4.96	-	13.71	454.09	460.46	460.66	480.52
69	Property (30)	534.75	+0.4	10.55	8.27	12.59	22.76	532.56	551.41	555.07	934.83
70	Other Financial (14)	239.00	+0.1	8.36	6.98	15.70	9.35	238.70	242.77	242.58	260.16
71	Investment Trusts (70)	1122.62	+0.8	-	4.00	-	27.18	1113.43	1136.58	1143.99	1249.00
99	ALL-SHARE INDEX (653)●	1178.08	+1.4	-	4.98	-	36.41	1161.71	1205.07	1213.65	1254.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 5	Oct 2	Oct 1	Sep 30	Sep 29	Year ago
FT-SE 100 SHARE INDEX‡	2488.4	+42.1	2488.4	2467.6	2446.3	2549.7	2572.3	2553.0	2565.5	2599.5

FIXED INTEREST

	PRICE INDICES	Tue Oct 6	Day's change %	Mon Oct 5	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	125.09	+0.31	124.70	2.37	9.31
2	5-15 years (25)	137.49	+0.50	136.79	2.03	10.59
3	Over 15 years (8)	141.29	+0.35	140.79	1.62	9.97
4	Irredeemables (6)	158.25	+0.22	157.91	3.64	8.83
5	All stocks (61)	135.29	+0.42	134.73	2.14	10.25
	Index-Linked					
6	Up to 5 years (2)	175.56	+0.07	175.44	0.51	3.25
7	Over 5 years (10)	156.63	+0.13	156.43	0.90	3.64
8	All stocks (12)	158.04	+0.12	157.85	0.84	3.56
9	Debs & Loans (62)	115.27	+0.22	115.01	1.92	9.58

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 6	Mon Oct 5	Year ago (approx.)
	British Government				
1	Low	5 years	8.06	8.21	8.53
2	Coupons	15 years	9.02	9.08	9.41
3	(0%-7¾%)	20 years	9.28	9.32	9.41
4	Medium	5 years	8.66	8.77	9.64
5	Coupons	15 years	9.51	9.57	9.57
6	(8%-10¾%)	20 years	9.66	9.70	9.53
7	High	5 years	8.91	9.03	9.86
8	Coupons	15 years	9.81	9.86	9.63
9	(11%-)	20 years	9.82	9.90	9.55
10	Irredeemables		9.77	9.79	9.60
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.70	3.71	3.80
12	Inflation rate 5%	Over 5 yrs.	4.18	4.19	4.23
13	Inflation rate 10%	Up to 5 yrs.	2.94	2.95	3.21
14	Inflation rate 10%	Over 5 yrs.	4.01	4.01	4.06
15	Debs &	5 years	10.19	10.19	11.19
16	Loans	15 years	10.76	10.78	11.01
17		25 years	10.80	10.83	10.83

‡Opening index 2484.7; 9 am 2480.0; 10 am 2481.5; 11 am 2481.8; Noon 2487.1; 1 pm 2484.2; 2 pm 2483.7; 2.30 pm 2483.4; 3 pm 2473.2; 3.30 pm 2485.5; (a) 4.30pm (b) 9.28am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ● The HSBC dividend is not subject to Advance Corporation Tax at 25%.

NEW HIGHS AND LOWS FOR 1992

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	18xd	-1/8	19 1/8	14 5/8	13,485	2.2
♥Allegheny & W	379p	+13	379p	226p	197.0	4.6
Amdahl	467p	-11	1159p	467p	546.9	1.2
Amer Cyanamid	31 1/4	-1/4	37	28 1/2	2,819	3.1
Amer Express	12 1/16xd	-1/4	13 7/8	10 1/16	6,610	4.8
Amer T & T	24 1/2xd	-1/8	25 13/16	20 1/8	32,416	3.2
Ameritech	39 1/8	-1/4	40 1/8	32 1/2	17,130	5.3
BankAmerica	24 3/4xd	-11/16	27 1/8	19 1/16	8,627	3.1
Bankers NY	36 7/8xd	—	37 13/16	28 7/8	2,950	4.4
Bell Atlantic	27 1/8	-1/4	28 1/8	23 1/8	11,818	5.5
BellSouth	29 3/4	-1/4	32 7/8	25	14,544	6.4
♥Bethlehem Steel	8 1/4xd	-1/8	9 5/8	5 3/4	805.4	—
Bowater	1077pxd	-30	1579p	905p	389.3	6.5
CPC h	27 1/16xd	-1/16	28 7/8	22 1/8	4,165	2.6
♥Cadiz Land Inc	128p	—	342p	128p	—	—
California Engy	728p	—	833p	591p	132.5	—
Chase Manhattan	12 1/2xd	-1/8	16 1/2	9 1/8	1,866	5.6
Chrysler	12 3/4xd	-1/16	13 13/16	8 1/4	3,728	2.7
Citicorp	8 13/16xd	-3/16	11 1/4	5 1/8	3,269	—
Colgate-Palm	33 3/16xd	-13/16	34 1/4	25 1/4	5,314	2.2
Cont'l Bank	924p	-29	1630p	499p	933.7	3.8
Dana	22xd	-1/4	24 1/2	14 13/16	1,080	4.2
Data General	533p	-5	1084p	384p	174.7	—
♥Decora Inds	116p	—	122p	86p	—	—
Dun & Brad	33 1/4	-1/8	33 5/8	27 5/8	5,932	4.0
Eaton	45 1/4	-1/4	48 1/2	32 1/2	1,682	2.8
Echlin	10 13/16xd	+1/16	11 1/4	7 1/8	820.8	3.7
FPL	20 5/8xd	-1/2	21 1/4	17 13/16	3,725	6.9
Fluor	24 3/16xd	-5/8	27	19 1/4	1,971	1.0
Ford Motor	22 1/16xd	+1/16	26 1/8	15	10,756	2.6
Gen Elect	43 7/8xd	-1/2	46 1/8	36 1/4	37,482	3.1
♥General Host	517p	+13	584p	380p	—	4.0
Gillette	33 3/16xd	-7/8	34 3/16	23 13/16	7,308	1.3
Hasbro	19	+1/8	19 5/8	12 1/8	1,649	0.6
Honeywell	38 13/16	-1 3/16	43	32	2,678	2.6
Houston Inds	25 1/8	-5/8	26 1/8	22	3,254	7.0
IBM	45 1/4xd	-1/4	54 1/2	42 1/4	26,110	6.2
Ingersoll-Rand	16 3/16	+3/16	19 1/16	12 13/16	1,717	2.5
Lockheed	27 1/4	-1/8	27 7/8	22 1/8	1,672	4.5
Lowe's h	1070p	-30	1273p	815 1/2p	700.2	1.5
Merrill Lynch	28 1/4xd	-1/8	39 13/16	24 1/8	2,973	2.4
Morgan (JP)	35 3/16xd	-13/16	37 1/2	28 1/16	6,789	3.6
Morris (Philip)	46 1/8xd	-1/4	50 7/8	37 13/16	44,267	2.1
NYNEX	47 5/8	-1/8	48 1/4	39 5/8	9,741	5.7
Pall	15 7/8	-1/8	17 13/16	10 3/16	1,292	1.3
Pennzoil	31 1/4xd	-1/2	31 1/4	23 1/8	1,260	5.6
Quaker Oats	36 1/16xd	-1/16	40 3/16	28	2,722	3.1
Rockwell	14 13/16xd	-3/16	15 13/16	11 1/2	3,208	3.8
Rep NY	24 13/16xd	-3/16	26 1/16	20 7/8	1,297	2.3
Sears, Roebuck	25xd	-1/16	28	19 1/16	8,823	4.7
Sthwestern Bell	38 7/8	-7/8	40 1/8	31 3/8	11,665	4.4
Sun Co	13 3/16xd	-1/16	16 7/8	12 1/8	1,439	7.9
Tenneco	20 1/4xd	-1/4	25 1/16	16 1/2	2,536	4.7
Texaco	36 1/4xd	-1/4	37 13/16	30 13/16	9,587	5.1
Time Warner h	13 3/16	-1/16	15 1/2	11 1/2	5,032	1.2
♥Unilab	337p	—	887p	320p	313.0	—
♦URS Intl 1c	0 1/4p	—	1 1/4p	0 1/4p	2.71	—
US West	22 1/8	—	22 1/4	18 1/4	8,069	5.6
Varity	1157p	-23	1305p	632p	291.4	—
Waste Manage	20 1/8xd	-1/4	28	16 3/16	10,228	1.5
Whirlpool	2067pxd	-67	2798p	1760p	1,443	3.1
♥Woolworth	18 1/4	-1/4	18 5/8	13 1/4	2,386	3.6

CANADIANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	1 1/4p	—	2p	1 1/4p	—	—
Amer Barrick	1751p	-23	1824p	1268p	2,467	0.5
Bk Montreal	20	+1/4	23 1/4	19 1/4	2,447	5.0
Bk Nova Scot	1011p	+18	1176p	899p	2,071	4.9
♥BC Gas	786p	-8	879p	621p	—	4.0
BCE	20	+1/8	24 1/2	18 7/8	6,285	8.2
♥Brascan	882p	-55	967p	704p	861.4	6.2
♥Breakwater	16 1/2p	—	33p	6p	10.5	28.8
Can Imp Bk	1285p	-2	1616p	1157p	2,406	4.9
Can Pacific	721p	-8	938p	689p	2,298	2.1
[illegible]						

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

Notes	Price	+or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	166	+3	178	147	3.6	196.0	16.1
Warrants	29	—	38	21	—	—	—
Scot Mortgage	162	+2	167	135	3.4	180.9	16.3
Scot National Inc	70½	—	107	65¾	18.7	—	—
Cap	19	—	42	12½	—	—	—
Stepped Pf	142½	+½	142½	126	5.7	—	—
Zero Div Pf	188	—	196	166½	—	—	—
Warrants	4	—	8	3	—	—	—
Scot Value	61	—	64	48	3.8	59.1	-2.8
Sec Alliance	1173	+10	1283	1066	4.1	1347.1	13.0
Second Market	244	—	249	222	2.8	314.1	22.3
Sec Tst Scot	66	+½	78½	61	6.8	69.5	5.0
Select Assets	86	—	102½	78½	1.4	132.3	35.0
Eq Ind Sert	113xd	+1	123	106	5.6	—	—
Eq Ind Serg	113xd	+1	123	106	5.6	—	—
Shires	182	—	249	188	12.8	197.4	3.0
11pc Cv Ln '03/04	£109½	-½	£119½	£95½	10.6	—	—
Siam Select	74	—	91	69	0.5	119.8	38.2
Warrants	16	—	21	10	—	—	—
Smaller Cos	68	—	89	66	4.6	78.4	13.9
Warrants	15	—	26	10	—	—	—
Somerset Tst	117	-3	140	55	—	83.8	-43.2
Sphere Inc	12	—	28	4½	84.4	15.1	23.6
Zero Div Pf	78¼	+½	77¼	63¾	—	—	—
Sumit	31	—	55	30	5.4	92.5	66.6
TR City of Lon	100	—	127½	97½	5.9	100.0	0.2
TR Euro Growth	76	+1	90	70	2.4	97.3	22.8
Pfg Sub	35	—	54	33	5.5	—	—
TR Far East Inc	93	—	96	76	6.3	105.0	11.9
Warrants	16	—	22	12	—	—	—
TR High Inc	96xd	—	110	91	8.2	97.1	0.4
Sub	23	—	36	21	8.7	—	—
TR Pacific	85	—	99	70	0.4	96.4	12.3
TR Prop	19	—	27	14½	12.9	38.8	51.4
TR Smaller	111	+1½	132	98	4.4	129.0	14.4
TR Technology	22	—	37	16	10.6	85.1	74.2
Stepped Pf	96	—	102¼	89¾	7.7	—	—
Zero Pf	175½	+½	180½	154½	—	—	—
Temple Bar	242	+1	277	226	7.2	261.8	7.8
6pc Cv Ln 2002	298	—	£117½	280	6.1	—	—
Templeton Em	196	—	224	165	1.7	201.2	1.8
Warrants	86	—	106	59	—	—	—
1pc Cv Ln 2001	£195xd	—	£228½	£162½	0.8	—	—

MEDIA - Cont.

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
VTR	45	—	65	43	3.29	10.1	11.5
WPP	31	—	118	31	69.4	—	—
Warrants	3	—	8½	1½	0.15	—	—
Watmoughs†	451	—	488	391	148.1	3.1	19.6
Yorkshire Tyne-T	136	—	181½	135	87.4	11.8	4.8

MERCHANT BANKS

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	30	—	34	28	66.0	—	—
Baileys 8pc Cm 2nd Pf	98	—	109	83½	12.3	10.9	—
9¾pc Non-Cm Pf	118	+½	125	103¼	48.4	11.2	—
Close Bros	225	—	267	205	88.5	5.6	10.0
Hambros	222	-4	292	202	384.1	8.3	8.1
7½pc Cv Pf	101½	-1	119	91½	162.3	9.9	—
Joseph (L)	308	—	339	308	16.2	6.9	—
Kleinwort Benson	278	-3	324	212	362.5	7.7	24.3
Rea Bros	29	—	37	25	11.4	2.3	—
Schroders	1243xd	—	1365	1043	624.0	1.9	14.5
N/V	1040xd	—	1158	883	137.6	2.3	12.2
Singer & Fried	38	—	58	34	73.1	8.8	8.3
Warburg (SG)	488	-1	605	403	1,843	4.8	10.0
6pc Cv Pf	172	—	204	137	73.2	4.7	—
Wintrust	206	—	253	205	17.4	6.0	7.9

METALS & METAL FORMING

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW‡	78	-3	165	50	52.8	‡	14.8
Apollo Metals	94	—	147	92	11.1	4.9	10.2
Ash & Lacy	123	—	169	123	32.6	7.1	6.9
Barrett (H)‡	11	—	45	11	4.77	‡	25.4
Billam (J)†	132	—	144	84	2.14	4.3	8.1
Brit Steel	56½	+½	86	46	1,170	10.3	55.7
CI	20	—	35	15	17.3	14.3	7.9
Castings	175	—	195	118	37.4	3.1	12.1
Chamber & Hill	103	—	140	90	7.69	7.8	6.8
Cohen (A)	310	-6	400	305	5.75	4.3	—
Cook (Wm)	150	-1	335	142	34.4	8.4	6.6
Cooper (F)	29	+1	69	22	10.3	18.4	14.1
Downiebrae	27	—	38	27	4.72	2.5	13.9

OIL & GAS - Cont.

INVESTMENT COMPANIES

MEDIA

MISCELLANEOUS

OTHER FINANCIAL

OTHER INDUSTRIALS

MOTORS

OIL & GAS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Hemlo Gold C$	£4½	—	£5⅛	£3¼	433.9	[illegible]
Ivernia West I£	35	—	53	32	17.6	—
Kells Mins I£	18	—	42	14	8.43	—
Kenmare	3½	+¼	6½	2¼	3.36	—
Malinga Res	13	-½	48	12	1.43	—
Navan Res I£	27	—	27	16	3.62	—
North West Expl A$	3	—	6	2	1.81	—
Oryx Gold	51½	—	103	51	—	—
Plateau	3	—	13	3	1.37	—
RTZ	609	+5	609	469	6,787	4.6
Vizcaya	1¼	—	3	1	0.64	—
Western & Pac C$	14	—	66	7	7.68	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
e Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

(Accum Units)	5	106.98	107.0	113.2	-0.6	5.26
Gilt Income	5	57.74	57.80	60.70	-0.8	9.0
(Accum Units)	5	136.53	136.6	143.5	-1.9	9.0
Gold	5	29.32	29.70	31.80	-0.8	2.52
(Accum Units)	5	34.08	34.50	37.00	-0.9	2.52
High Income	5	17.88	18.00	19.30	-0.1	7.27
(Accum Units)	5	64.58	65.20	69.80	-0.4	7.27
Intl Growth	5	53.84	54.10	57.30	-1.1	1.33
(Accum Units)	5	92.54	93.10	98.60	-1.9	1.33
International Inc	5	67.61	67.80	72.20	-1.7	6.16
(Accum Units)	5	92.86	93.20	99.20	-2.3	6.16
Japan & Gen	5	32.07	32.20	34.00	-0.4	-
(Accum Units)	5	34.41	34.60	36.50	-0.4	-
Japan Smaller Cos	5	91.09	91.40	96.70	-2.1	-
(Accum Units)	5	91.73	92.00	97.30	-2.2	-
Midland	5	38.29	38.30	40.50	-0.2	6.63
(Accum Units)	5	117.1	117.1	123.8	-0.6	6.63
Pension Ex	2	672.97	686.2	703.4	-5.5	5.95
Recovery	5	25.13	25.70	27.20	-0.2	5.25
(Accum Units)	5	39.03	40.00	42.30	-0.2	5.25
Second General	5	44.18	44.20	46.70	-0.3	5.42
(Accum Units)	5	105.64	105.7	111.7	-0.7	5.42
Smaller Cos	5	41.88	43.10	45.60	+0.2	5.26
(Accum Units)	5	77.99	80.30	85.00	+0.6	5.26
Trustee	5	28.93	29.00	30.70	+0.1	5.93
(Accum Units)	5	105.45	105.5	111.6	+0.2	5.93

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq. 0903 204631

High Income	5	209.3	212.5xd	226.0	-1.3	5.88
(Accum Units)	5	347.3	352.6	375.1	-2.0	5.88
UK Growth	5	270.9	273.6xd	291.0	-2.1	3.42
(Accum Units)	5	331.8	335.2	356.5	-2.5	3.42
Int Equity Gth ‡	5	48.35	48.46	51.55	-0.62	1.12
Intl Bond	5	60.51	60.91	63.55	-0.14	6.29
Special Sits Grth	5	13.63	14.18xd	15.08	-0.04	3.64
North American Grth	5	72.41	72.59xd	77.22	-1.03	0.96
European Growth ‡	6	51.10	51.38xd	54.65	-1.89	1.15

Equity Income	1	74.33	74.33xd	76.65	-0.84	6.25
European	1	50.89	50.89xd	52.08	-2.17	2.15
Smaller Cos	1	45.02	45.02	47.28	-0.32	2.13
Olympiad	1	42.43	42.43	43.49	-0.69	1.88
Olympiad Income	1	42.05	42.05	43.27	-0.58	6.68
UK Growth	1	67.71	67.71	70.24	-0.17	2.21
Pacific Growth	1	52.84	52.84	54.56	-0.41	1.52
Japan Growth	1	64.30	64.30	65.38	-0.61	0.00

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Avon Equity	6	88.44	89.92	95.66	+0.53	3.76

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

American ♥	5¼	33.39	33.39	35.61	-0.34	0.90
(Accum Units) ♥	5¼	36.27	36.27	38.68	-0.37	0.90
Australian ♥	5¼	197.30	197.30	211.60	-3.70	0.00
(Accum Units) ♥	5¼	223.10	223.10	239.30	-4.20	0.00
Conscience	5¼	50.29	50.29	53.67	-1.22	1.55
(Accum Units)	5¼	53.62	53.62	57.22	-1.31	1.55
European	5¼	146.50	146.50xd	156.20	-5.00	1.06
(Accum Units)	5¼	156.30	156.30	166.70	-5.30	1.06
Extra Income	5¼	61.08	61.08xd	65.18		7.07
(Accum Units)	5¼	90.34	90.34	96.41		7.07
Far East Gth Acc	5¼	109.80	109.80xd	117.30	-1.30	0.00
Gilt & F I	5¼	53.39	53.39	56.52	+0.37	8.16
(Accum Units)	5¼	122.50	122.50	129.60	+0.80	8.16
Gold ♥	5¼	26.43	26.43xd	28.41		0.00
(Accum Units) ♥	5¼	28.46	28.46	30.60	-0.03	0.00
Income	5¼	42.16	42.16	44.97	-0.11	6.34
(Accum Units)	5¼	123.40	123.40	131.60	-0.30	6.34
Intnl	5¼	23.08	23.08	24.76	-0.42	1.09
(Accum Units)	5¼	33.00	33.00	35.40	-0.59	1.09
Jap Smaller Cos	5¼	205.10	205.10	218.70	-3.50	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Int'l Bond & Conv	5	114.50	114.80	120.80	-1.40	6.08
Pooled Pension‡	3½	128.5	132.9	137.9	..	–
Smaller Cos	5	50.29	52.00	54.74	-0.37	2.98
UK General	5	101.00	102.70	108.10	-0.88	2.88

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	339.92	339.92	359.12	-0.78	6.10
Global Inc	5	46.52	46.52	49.31	-0.37	4.96
Belt Leaders	5	271.08	271.08	288.19	-0.08	3.63
Intl Leaders	5	146.05	146.05	154.81	-1.03	2.12
FAs Mon Bal Gth Acc‡	3½	45.27	45.91	47.70	-0.72	4.49
FAs Mon Bal Gth Inc	3½	45.27	45.91	47.70	-0.72	4.49

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham BR3 4TF 081-663 3003

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	43.92	44.02	46.82	-1.8	2.23
Far Eastern Tst	6	–	–	50.00	..	1.00
Smaller Cos	5	105.7	110.3	117.3	-0.3	3.39

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American §	5	221.9	222.3	235.2	+5.9	1.07
S & W Capital	5	95.92	95.92	102.9	-2.2	2.09
S & W Cash §	0	100.40	100.40	100.40	+0.04	9.43
S & W European	5	98.99	99.41	105.1	-1.6	1.66
S & W Far Eastern	5	95.04	95.75	101.3	+0.5	0.22
S & W Growth	5	102.7	103.0	109.8	-4.1	1.85
S & W Income	5	90.68	90.94	96.23	-2.35	6.21
S & W Magnum	5	101.4	101.4	108.8	-2.5	1.99
S & W Smllr Secs	5	229.5	235.1	248.7	-1.6	1.79
S & W Throgmorton	5	117.1	117.1	125.6	-2.8	1.92

Societe Generale Touche Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing - 12 Noon Historic

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	57.21	57.21	61.18	-0.61	0
Eur Sp Sits Acc	5¼	37.90	37.90	40.55	-1.22	0
Eur Sp Sits Inc	5¼	35.84	35.84	38.34	-1.16	0
Far East Opps Inc	5¼	22.04	22.04	23.78	-0.23	0
Far East Opps Acc	5¼	22.59	22.59	24.37	-0.24	0
General Growth	5¼	80.52	80.52	86.41	+0.77	3.78
Genrl Growth Acc	5¼	81.66	81.66	87.85	+0.78	3.78
Global Tech	5¼	82.68	82.68	89.35	-0.47	0
Income Growth	5¼	79.31	79.31	85.42	+0.81	5.47
Income Growth Acc	5¼	79.31	79.31	85.42	+0.81	5.47
Income Monthly	5¼	44.03	44.03	47.09	-0.06	7.34
Japan Growth	5¼	55.89	55.89	59.40	-0.19	0
Overseas Growth	5¼	57.84	57.84	61.68	-0.58	0
Smaller Cos	5¼	53.42	53.42	57.44	-0.84	3.52
Special Opps	5¼	69.50	71.50	76.88	-0.52	3.46

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2½	78.58	78.58	80.42	-0.33	0.00
Short Dtd Gilt	1½	101.4	101.4	102.8	+0.7	1.93
U.S. Govnt Bond	1½	0.7065	0.7065	0.7150	[illegible]	0.00
Gilt Income	4	48.50	48.50	50.46	+0.32	9.30
Gilt Growth	4	59.24	59.24	61.65	+0.35	0.00
City Reserve	0	54.70	54.70	54.70	+0.81	9.80

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	5	54.85	55.04	58.55	+0.86	2.85

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Expt Sep 16	530.6	547.5	..	1.27

James Capel Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mimoqual Exempt	109.752	116.165	+0.001	4.77

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Fund Sep 30	517.80	519.90	..	5.69
Fxd Int Sec Sep 30	144.40	145.00	..	10.00

Deposit Fund: See Money Market Trust Funds

Charinco/Charishare‡ (1000)F
33 King William Street, EC4R 9AS 071-280 2800

	Bid Price	Offer Price	+ or -	Yield Gross
Charinco Inc	163.7	165.6	(z)	9.90
Charinco Acc	937.0	947.9	(z)	9.90
Charishare Inc	161.2	165.1	(z)	4.78
Charishare Acc	204.5	209.3	(z)	4.78

CAFINVEST-Charities Aid Foundation
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Growth	56.92	58.69	..	4.26
Income	55.55	56.61	..	7.77

COIF-Charities Official Inv Fd‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Income Sep 30	509.24	512.86	..	5.79
Accum Sep 30	1960.37	1984.78	..	–
Fixed Int Income Sep 30	117.35	117.58	..	9.87
Fixed Int Accum Sep 30	147.70	147.87	..	–

Deposit Account: see Money Market Trust Funds

Charity Fixed Int Fd/Charity Equity Fd

Cannon Assurance Ltd—Contd.
2nd Series Pension Accumulation

	Bid Price	Offer Price	+ or -	Yield Gross
Equity	818.3	865.9	+1.60	–
High Income	575.3	608.8	..	–
Capital Growth	92.60	98.00	–	–
Property	439.8	465.4		–
Managed 2	181.2	191.8	-1.8	–
Managed	558.5	591.0	-4.8	–
Managed 4	176.4	186.7	-1.6	–
Deposit	481.8	509.8		–
Gilt	426.1	450.9	-2.5	–
American	774.5	819.6	-16.6	–
International Money	381.4	403.6	+4.40	–
Index	196.0	207.4	-1.5	–
Far East	340.6	360.4	-5.1	–
Global	126.9	134.3	-2.3	–
European	118.8	125.7	-4.9	–
Japan	152.1	161.0	-1.8	–

Crown Financial Management Ltd-Contd.
Group Pension Funds(z)

	Bid Price	Offer Price	+ or -	Yield Gross
American	114.3	118.4	-1.9	0
Equity	725.5	751.8	+1.7	–
European	258.6	267.9	-8.5	0
Fixed Interest	388.8	402.9	+1.6	0
International	190.2	197.0	-2.8	–
Investment Trust	278.0	288.0	-1.7	–
Japanese	186.2	192.9	-3.2	–
Mixed	622.0	644.5	-0.6	–
Money	453.5	469.9	+0.1	–
Property	190.8	197.7	..	–
Other Funds(z)				
Brown Equity	562.1	591.6	-2.2	–
Crown Brit Inv A	997.5	1095.1	..	–
Heritage	277.6	292.2	-1.7	–
PE Coronet	362.2	381.2	+1.8	–

Guardian Royal Exchange—Contd.
GRE Linked Life Assurance Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Initial	336.5	354.3	-1.0	–
Do. Accum	457.1	481.2	-1.3	–
Equity Initial	479.4	504.6	-3.6	–
Do Accum	651.1	685.4	-4.8	–
Fixed Interest Acc	484.4	509.9	-3.2	–
International Acc	452.3	476.1	+5.5	–
Nth American Acc	170.8	179.8	+2.6	–
Pacific Acc	208.0	218.9	+2.5	–
European Acc	82.7	87.0	-0.8	–
Property Acc	210.4	221.5	..	–
Index-Linked Acc	173.9	183.1	-2.4	–
Deposit Accum	258.8	272.5	+0.1	–
GRE Pensions Management Ltd				
Pens Managed Initial	398.3	419.2	-1.6	–
Pens Managed Acc	528.7	556.5	-2.1	–
Pens Equity Initial	555.0	584.2	-1.7	–

Legal & General—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Intl Initial	188.2	198.2	-4.8	–
Do. Accum	279.9	294.0	-7.2	–
Exempt Mngd. Init.	596.1	627.5	-3.6	–
Do. Accum	985.8	1037.7	-6.0	–
Exempt N Amer Init.	183.4	193.1	-3.8	–
Do. Accum	233.3	245.6	-4.9	–
Exempt Prop. Init.	278.3	293.0	+0.1	–
Do Accum	460.3	484.6	+0.1	–
Sp. Deposit Init.	228.3	240.4	..	–
Do. Accum	335.1	352.8	+0.1	–
Index Fund Init.	103.2	108.7	..	–
Do Accum	124.9	131.5	..	–
Aggressive Growth Init.	134.8	141.9	-0.8	–
Do Accum	154.3	162.5	-0.9	–

Liberty Life Assurance Co Ltd

Midland Life Limited
Norwich Hse, Commercial Rd Southampton 0703 229929

	Bid Price	Offer Price	+ or -	Yield Gross
Adventurous Fd	54.1	57.0	-1.1	–
Balanced Fd	64.4	67.8	-0.1	–
Defensive Fd	66.9	70.5	+0.3	–
Secure Fd	68.0	71.6	..	–
UK Equity Fd	71.4	75.2	+0.3	–
International Fd	55.0	57.9	-1.2	–
Money Market Fd	68.9	72.6	..	–
Fixed Interest Fd	64.3	67.7	+0.5	–
Pens Adventurous	107.2	112.9	-2.0	–
Pens Balanced	116.1	122.3	..	–
Pens Defensive	116.8	123.0	+0.5	–
Pens Secure	110.2	116.1		–
Pens UK Equity	121.2	127.6	+0.6	–
Pens International	106.4	112.0	-2.0	–
Pens Money Market	110.2	116.1		–

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Garbmore Fund Managers (IoM)				
Intl Inc	15 7	16 7	+0 4	12 0
‡ Projected Yield				
John Govett Management (IoM) Ltd				
Dlr Geared Curr NAV Oct 2	$16 20			-
Paragon Plus Red Oct 1	£9 17			-
Paragon Stlg Red Oct 1	£10 60			-
SE Asian Wrt NAV Oct 1	$9 77			-
Govett Mngd Futs Oct 2	£13 77	15 06		-
Govett Mngd Futs Oct 2	$9 91	10 84		-
New Horizons Inc Oct 1	$12 90			-
	$5 40			-
Dlr Geared Bd Oct 2	$8 01			-
CBI Global Funds Limited				
Intl Stlg Gwth	£18 31	19 28		-
Intl $US Gwth	$18 07	19 03		-
High Income Gilt	£24 79	25 70		-
International Equity	£18 16	19 13		-
International Bond	£21 08	21 85		-
Managed Currency	£26 04	26 31		-
Sterling Currency	£26 08	26 35		-
US$ Currency	$37 63	38 02		-
Irish £ Currency	I£14.76	14 92		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	$8 07	8 69		-
B F Offshore Inc Fd Ltd	£10 71	11 20		-
	£8 83	9 18		-
LFM Sterling Fd	£10 55	11 00		-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5	I£-	20.7455	20.7640		-
Managed Capital Bd	5	I£-	20.7183	20.7307		-
AIB Dividend Currency Fund Limited						
Stlg Mngd Currency	5	£-	10 7520			-
Sterling Currency Fd	5	£-	10 3923			-
Ecu Currency	5	Ecu-	10 4127			-

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc	£1 539	1 651xd	-0 015	2 7
Japan Inc & Gwth	£1 324	1 420	-0 011	2.6
Sterling Denominated Growth Funds				
Capital Deposit	£37 41	37 42	+0 06	
European Perform	£0 3943	0 4240xd	-0.0166	
Far East	£2 184	2 348	-0 009	
Pioneer Markets	£3 134	3 370	-0 002	
UK Growth	£1 087	1 169	-0 007	2.3
£ Mng Portfolio	£1 408	1 522	-0 019	
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0 661	0 711	+0 002	
Japan Performance	$2 071	2 227	+0 002	
Gtd NW 1994	$9 10		-	
MIM London Agents				
Apollo Fd Sep 23	SFr77.0	82 43	..	
*Weekly Dealing †Fortnightly Dlng. **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsbank World Inc Port.	£2 263	2 377xd		1 34
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 34	9 38xd	+0 03	10 0
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 1	$14 30	14 59xd		2 74
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	50.8	53 0xd		8 8
UK Equity Fd (z)	194 5	207.0xd	-0 07	3 0
Intl Bond Fd.	93 1	96 0		7 5
Natural Resources Fd.	110.2	117 0	-0 01	0 4
Sterling Mngd Asset Fd.	507 6	535.0	..	5.0
Sub. day every Thurs. Sub day monthly 5th and 20th				
NatWest TrustCur Currency Fund (z)				
Dollar Class	$37 9198		+0 0059	
Sterling Class	£26 5484		+0 0073	
D-Mark Class	DM82.2763		+0 0194	
Dutch Guilder Class	Dfl81.8629		+0 0152	
Japanese Yen Class	Y7916.0179		+0 7218	
Ashburton Replica Portfolio Ltd				
	10.54	10 97		
	$10.25	10 63		
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 1	$33 21	35.29		
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3.6498	3 8787		

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	567.0	603.2	-1.8	-
Adventurous Mngd	132.3	140.8	-1.8	-
Cautious Mngd	111.4	128.6	+0.3	-
Cash Fd	311.0	327.8	-	-
Property Fund	216.8	230.7	+0.2	-
Equity Fund	632.4	672.8	-8.3	-
Fxd Int. Fund	367.3	387.1	-2.0	-
International	286.0	304.3	-3.6	-
High Income	501.8	533.0	-0.6	-
Far East	381.2	405.6	-9.0	-
North American	336.1	357.6	-5.9	-
Special Sits	456.4	485.6	-0.7	-
Technology	328.1	349.1	-6.8	-
Extra Inc Fd	270.1	287.4	-0.5	-
Convertible & Gilt Fd	130.6	139.0	-1.4	-
American Income	149.4	159.0	-1.5	-
Gilt Fund 20	409.3	435.5	-1.5	-
European Fund	105.9	112.7	-3.1	-
Pref & Fixed Int.	100.2	106.7	+0.2	-
UK Blue Chip	100.4	105.8	+0.1	-
Recovery Fund	94.3	99.4	-0.5	-
Equity Income Dist.	90.8	96.6	-0.6	5.25
Managed Dist.	87.7	93.4	-0.6	5.61
High Yield Dist.	95.1	100.3	-	7.90
Pension Funds				
Balncd Gth Mgd Pens Acc.	643.9	677.8	-2.6	-
Adventurous Mgd Pens Acc.	133.5	140.6	-2.1	-
Cautious Mngd Pens Acc.	126.3	133.0	-0.1	-
Building Soc. Acc.	356.9	375.7	-	-
Property Pens. Acc.	294.3	309.8	+0.4	-
Fix. Int. Pens. Acc.	572.4	602.6	-1.4	-
Equity Pens. Acc.	794.3	836.2	-10.5	-
International Pens Acc.	258.2	271.8	-4.2	-
High Inc Pens Acc.	552.5	581.6	-0.2	-
Tech Pens Acc.	221.0	232.7	-3.8	-
N American Pens Acc.	245.7	258.7	-3.2	-
Far Eastern Pens Acc.	374.9	394.7	-5.7	-
Special Sits Pens Acc.	374.3	394.0	-0.3	-
Extra Income Pens Fd	328.8	346.2	-0.2	-
Convertible & Gilt Pen.	160.1	168.6	-1.7	-
American Inc Pens	166.5	175.3	-1.5	-
European Pens	116.8	123.0	-3.6	-

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	165.3	174.0	-	-
Equity Acc Fd.	351.3	369.8	-0.9	-
Managed Acc Fd	309.8	326.1	-	-
Prop Fd (1st Issue)	-	570.1	-	-
Prop Acc Fd (2nd Iss)	117.0	123.1	-	-
Unit Trust Mn Fd	132.9	139.9	-	-
RL Pension Funds				
Deposit Acc.	238.8	251.3	-	-
Equity Acc	251.5	264.7	-0.9	-
Fixed Int Acc.	228.8	240.9	-	-
Gilt Indx Lnk Acc.	173.9	183.0	-	-
Managed Acc.	332.2	349.7	-	-

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	99.30	104.6	-1.70	-
JRA/Scottish Amicable Mngd	94.60	99.60	-2.50	-
JRA/St James's Place Mngd	101.1	106.5	-1.90	-
Deposit	98.50	103.7	+0.10	-
Far East	102.5	107.9	+1.70	-
Gilts	97.50	102.7	-1.30	-
Greater European	104.0	109.5	-3.30	-
North American	104.5	110.1	-0.10	-
UK Equity	97.40	102.6	-2.80	-
Pension Funds				
JRA/M&G Managed cap	95.80	100.9	-2.00	-
JRA/M&G Managed acc.	98.20	103.4	-2.10	-
JRA/Scot Amicable Mngd cap	90.90	95.70	-2.70	-
JRA/Scot Amicable Mngd acc	93.10	98.10	-2.80	-
JRA/St James's Pl Mngd cap	101.2	106.6	-2.00	-
JRA/St James's Pl Mngd Acc	103.7	109.2	-2.10	-
Deposit cap.	98.70	103.9	-	-
Deposit acc.	101.1	106.5	-	-
Far East cap.	97.70	102.9	+1.90	-
Far East acc.	100.2	105.5	+2.00	-
Gilts cap.	95.90	101.0	-1.30	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Astonishment at lira's moves

TENSIONS both inside and outside the European exchange rate mechanism eased yesterday, as sterling regained ground against the D-Mark and the Italian lira staged an extraordinary recovery, *writes James Blitz.*

After Monday's huge falls in the value of most currencies against the D-Mark, there was some selling of the German currency yesterday. Some dealers suggested that the buying of D-Marks on Monday may have been overdone, while others said that yesterday's rebound reflected short term profit-taking by speculators.

The Federal Open Markets Committee meeting produced no cut in the Federal Reserve's discount rate on the first day of its two-day meeting, suggesting that the all-important differential between US and German interest rates is not about to widen.

The Bundesbank also highlighted the one accommodating part of its monetary policy, by again adding liquidity to the German money market at a fixed rate of 8.9 per cent, 60 basis points below the Lombard rate. Although there is no sign of a cut in official rates, Eurodeutschmark futures continued to price in another cut in German rates before the end of the year.

These factors combined to push the dollar up to a high of DM1.4320 yesterday after the US currency had come close to its historic low of DM1.3860 on Monday. It later closed in London at DM1.4300, up more than 2 pfennigs on the day.

Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, has been bearish about the dollar in recent weeks and confessed himself surprised by the market's optimism. He expects the dollar to trade in a range of DM1.40 to DM1.45 in the coming weeks.

In Europe, the D-Mark's weakness produced gyrations in the Italian lira of a kind that have rarely been seen in a European currency.

The lira closed in London on Monday night at L934.4 to the D-Mark, 5 per cent down on the day. Yesterday, it slumped another 6 per cent, bottoming out at L985. But in the European afternoon, it regained nearly 8 per cent in value to peak at L910. As Mr O'Neill put it: "In one day the lira has moved over twice the ground that would have separated its upper and lower limits in the ERM." The recovery was attributed to short covering, and there was no intervention from the Bank of Italy. It closed at L916.2 against the D-Mark.

Sterling recovered on a less dramatic scale, though its rebound was sufficient to renew suggestions that the UK chancellor may cut base rates this week.

Sterling reached a high of DM2.4548 at the start of European trading yesterday, although that peak was never regained in the rest of the day. The pound closed at DM2.4475, up 5¼ pfennigs on the day.

£ IN NEW YORK

Oct.6	Close	Previous Close
£ Spot	1.7125-1.7140	1.7130-1.7140
1 month	0.94-0.93pm	0.98-0.96pm
3 months	2.53-2.51pm	2.52-2.49pm
12 months	8.12-8.02pm	8.15-8.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.6	Previous
8.30 am	82.1	80.5
9.00 am	81.4	80.1
10.00 am	81.4	80.2
11.00 am	81.6	80.3
Noon	81.8	79.7
1.00 pm	81.6	79.8
2.00 pm	81.6	79.7
3.00 pm	81.7	80.3
4.00 pm	81.7	80.6

CURRENCY MOVEMENTS

Oct 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	81.7	-30.2
U S Dollar	60.6	-18.0
Canadian Dollar	98.1	-7.2
Austrian Schilling	115.3	+16.6
Belgian Franc	116.9	+2.6
Danish Kroner	115.4	+8.6
D-Mark	122.2	+33.4
Swiss Franc	117.7	+20.4
Dutch Guilder	120.8	+22.0
French Franc	111.4	-5.9
Lira	84.3	-32.0
Yen	147.3	+84.9
Peseta	101.4	-22.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Oct.5

CURRENCY RATES

Oct 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.866738	0.799601
U.S.Dollar	3.00	1.46782	1.37331
Canadian $	5.54	1.83057	1.71733
Austrian Sch.	8.25	14.4668	13.7306
Belgian Franc	8.00	42.3319	40.2621
Danish Krone	9.50	7.99088	7.58619
D-Mark	8.25	2.05592	1.95285
Dutch Guilder	8.00	2.31578	2.19868
French Franc	10.00	6.98536	6.62967
Italian Lira	15.00	N/A	1810.29
Japanese Yen	3.25	174.891	164.317
Norway Krone	11.00	8.43556	8.01192
Spanish Peseta	-	146.814	139.547
Swedish Krona	50.0	7.81761	7.41746
Swiss Franc	6.00	1.79561	1.70676
Greek Drach.	19	N/A	253.613
Irish Punt	-	N/A	0.744949

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.5

OTHER CURRENCIES

Oct.6	£	$
Argentina	1.7010 - 1.7035	0.9915 - 0.9925
Australia	2.3805 - 2.3825	1.3870 - 1.3880
Brazil	11340.0 - 11347.0	6607.50 - 6607.50
Finland	7.7705 - 7.7875	4.5370 - 4.5410
Greece	311.050 - 317.300	181.450 - 185.300
Hong Kong	13.2280 - 13.2495	7.7260 - 7.7270
Iran	2479.00*	1435.00*
Korea(Sth)	1336.70 - 1358.20	783.50 - 789.70
Kuwait	0.50160 - 0.50260	0.29215 - 0.29245
Luxembourg	50.35 - 50.45	29.40 - 29.50
Malaysia	4.2790 - 4.2925	2.4960 - 2.4970
Mexico	5148.90 - 5160.50	3110.00 - 3111.00
N Zealand	3.1525 - 3.1565	1.8370 - 1.8390
Saudi Ar.	6.3295 - 6.4810	3.7495 - 3.7505
Singapore	2.7250 - 2.7335	1.5895 - 1.5905
S.Af (Cm)	4.8450 - 4.8590	2.8250 - 2.8270
S.Af (Fn)	8.1715 - 8.2300	4.7620 - 4.7960
Taiwan	43.15 - 43.35	25.15 - 25.25
U.A.E.	6.1975 - 6.3480	3.6715 - 3.6735

*Floating rate. Iran Official rate £108.30 $62.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.29193	2.19868	-4.07	4.52	49
Belgian Franc	41.9547	40.2621	-4.03	4.48	46
D-Mark	2.03412	1.95285	-4.00	4.44	59
French Franc	6.82216	6.62967	-2.82	3.18	-14
Danish Krone	7.75901	7.58619	-2.23	2.55	-39
Irish Punt	0.759300	0.744949	-1.89	2.20	-54
Portuguese Escudo	176.844	173.738	-1.76	2.06	1
Spanish Peseta	139.176	139.547	0.27	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7100 - 1.7225	1.7115 - 1.7125	0.94-0.91cpm	6.48	2.54-2.51pm	5.90
Canada	2.1320 - 2.1500	2.1365 - 2.1375	0.28-0.23cpm	1.43	0.71-0.57pm	1.20
Netherlands	2.7350 - 2.7650	2.7525 - 2.7625	⅛-parcpm	0.27	¼-⅛pm	0.27
Belgium	50.05 - 50.55	50.35 - 50.45	2-3cdis	-0.60	3-4dis	-0.28
Denmark	9.2900 - 9.5350	9.4750 - 9.4850	3⅞-7⅛oredis	-6.80	7⅞-13⅛dis	-4.43
Ireland	0.9270 - 0.9335	0.9310 - 0.9320	0.85-0.45ppm	8.37	2.15-1.50pm	7.84
Germany	2.4275 - 2.4525	2.4450 - 2.4500	⅛-⅛pfpm	0.92	⅛-⅛dis	-0.31
Portugal	213.50 - 219.25	215.25 - 216.25	N/A	N/A	N/A	N/A
Spain	171.00 - 175.10	174.25 - 174.55	76-146cdis	-7.64	263-399dis	-7.59
Italy	2237.00 - 2327.50	2241.25 - 2242.25	15-22liredis	-9.90	40-49dis	-7.94
Norway	9.8350 - 10.0300	10.0025 - 10.0125	5⅞-10dis	-9.52	12⅞-18⅛dis	-6.17
France	8.2450 - 8.3250	8.3025 - 8.3125	3⅛-5cdis	-5.87	8⅞-10⅛dis	-4.51
Sweden	9.1075 - 9.3250	9.2700 - 9.2800	5⅞-11dis	-10.75	12⅞-19⅛dis	-6.98
Japan	204.25 - 206.25	204.50 - 205.50	1-⅜ypm	5.49	2⅛-2⅛pm	5.12
Austria	17.06 - 17.25	17.17 - 17.20	⅞-⅛gropm	0.52	1⅛-⅛pm	0.20
Switzerland	2.1200 - 2.1450	2.1325 - 2.1425	⅛-⅛cpm	2.46	1⅛-1pm	2.11
Ecu	1.2535 - 1.2620	1.2585 - 1.2595	0.29-0.42cdis	-3.38	0.90-1.09dis	-3.16

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.60-4.55pm 12 Month 8.22-8.12pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 4⅜-4⅛ per cent; three years 4⅞-4⅝ per cent; four years 5⅛-5⅛ per cent; five years 5⅝-5⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 6	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.712	2.447	205.0	8.307	2.137	2.757	2242	2.137	50.40	174.4	1.259
$	0.584	1	1.429	119.7	4.852	1.248	1.610	1310	1.248	29.44	101.9	0.735
DM	0.409	0.700	1	83.78	3.395	0.873	1.127	916.2	0.873	20.60	71.27	0.515
YEN	4.878	8.351	11.94	1000.	40.52	10.42	13.45	10937	10.42	245.9	850.7	6.141
F Fr.	1.204	2.061	2.946	246.8	10	2.573	3.319	2699	2.573	60.67	209.9	1.516
S Fr.	0.468	0.801	1.145	95.93	3.887	1	1.290	1049	1.000	23.58	81.61	0.589
N Fl.	0.363	0.621	0.888	74.36	3.013	0.775	1	813.2	0.775	18.28	63.26	0.457
Lira	0.446	0.764	1.091	91.44	3.705	0.953	1.230	1000.	0.953	22.48	77.79	0.562
C $	0.468	0.801	1.145	95.93	3.887	1.000	1.290	1049	1	23.58	81.61	0.589
B Fr.	1.984	3.397	4.855	406.7	16.48	4.240	5.470	4448	4.240	100.	346.0	2.498
Pta	0.573	0.982	1.403	117.5	4.763	1.225	1.581	1286	1.225	28.90	100.	0.722
Ecu	0.794	1.360	1.944	162.8	6.598	1.697	2.190	1781	1.697	40.03	138.5	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
107	2.08	-	-	0.58	-	-
108	-	2.28	-	0.87	1.20	-
109	0.93	1.73	-	1.31	1.50	-
110	0.55	1.26	-	1.92	-	-
111	0.30	0.91	-	2.66	-	-
Open Int	338,282	82,150	202	219,166	61,833	1,460

Estimated volume 20,267 † Total Open Interest 703,092
† All Yield & Open Interest figures are for the previous day.

Mar 2544.0 2542.0 2542.0 2493.0
Jun 2567.5 2515.0
Estimated volume 9592 (20440)
Previous day's open int. 45469 (48203)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7120	1.7028	1.6868	1.6667	1.6308

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bank	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	Heritable & Gen Inv Bnk.	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Cash rates ease

CASH rates in the sterling money market eased yesterday as dealers again took the view that there could be a cut in UK base rates in the immediate future.

On Monday, sterling's dramatic fall on the foreign exchanges to a low of DM2.3690 made dealers very bearish about the possibility of a cut.

However, the currency rebounded in Asia and Europe yesterday, peaking at DM2.4548 at the start of London trading.

UK clearing bank base lending rate
9 per cent
from September 22, 1992

This triggered renewed speculation of a rate cut being announced to coincide with the chancellor's speech at the Conservative Party conference on Thursday.

Views on whether the government could cut rates were mixed. One clearing bank dealer said that the government could not afford another cut unless sterling first rebounded above DM2.50. Another suggested that a ½ point cut in rates could even trigger a sterling rally because the small size would show the markets that the government had not thrown caution to the winds.

Either way, dealers remained confused because of the uncertainty about the government's economic strategy. One discount house dealer said: "We ought to have 8 or 8½ per cent base rates before the end of the year. What we don't know is when the cuts will come."

Three month sterling cash closed at 9⅛ per cent on the offered side from a previous close of 9$\frac{5}{16}$ per cent. One month money also closed softer at 9$\frac{3}{16}$ per cent from a previous close of 9½ per cent. The December short sterling contract also registered the more favourable outlook on rates closing up 7 basis points at 91.76.

The Bank of England's discount house operations reflected the paucity of bills held by discount houses and clearing banks after the huge shortages that have followed the Bank's "Black Wednesday" intervention. A shortage of £1.4bn proved to be "sticky" and late assistance of £435m was offered.

The Bank purchased £124m in a repurchase agreement (repo) at 8$\frac{15}{16}$ per cent. The forecast was revised to £1.5bn and the Bank purchased £23m of Band 1 Treasury bills and £53m of Band 1 bank bills at 8¾ per cent and £136m in a "repo." In the afternoon, the Bank purchased £525m of Band 1 bank bills.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.6) 3 months US dollars		6 months US Dollars	
bid 3$\frac{3}{16}$	offer 3$\frac{5}{16}$	bid 3$\frac{1}{16}$	offer 3$\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	2.64	Three year	4.20
Broker loan rate	5	Two month	2.67	Five year	5.25
Fed funds	3	Three month	2.80	Seven year	5.85
Fed funds at intervention	3$\frac{3}{16}$	Six month	2.93	10-year	6.30
		One year	3.04	30-year	7.42
		Two year	3.75		

Oct.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-9.00	8.95-9.05	8.95-9.05	8.95-9.05	8.80-8.95	9.50
Paris	13¼-13½	13¼-14¼	-	12¼-13½	-	9.60
Zurich	6½-6⅞	6⅞-6⅞	-	6½-6⅞	-	-
Amsterdam	8.88-8.93	8.85-8.95	-	8.70-8.80	-	-
Tokyo	4⅛-4⅛	4⅛-4⅛	-	4⅛-4⅛	-	-
Milan	16⅞-17½	17⅞-17½	-	17⅞-17½	-	-
Brussels	8⅞-9	9-9⅛	-	9-9⅛	-	-
Dublin	15-25	13-14	12½-13½	12¼-13¼	11¼-12¼	-

LONDON MONEY RATES

Oct 6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	9½	9⅛	9⅛	8$\frac{13}{16}$	8⅝
Interbank Bid	9⅛	9⅛	9⅛	9	8$\frac{11}{16}$	8½
Sterling CDs	-	-	9⅛	8$\frac{15}{16}$	8$\frac{11}{16}$	8½
Local Authority Deps.	9⅛	9⅛	9⅛	9⅛	8¾	8½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9⅛	9⅜	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	9⅛	9⅛	8¾	8½
Treasury Bills (Buy)	-	-	8¾	8½	8⅜	-
Bank Bills (Buy)	-	-	8¾	8½	8⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.93	2.96	2.94	3.07
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5$\frac{15}{16}$	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	12$\frac{15}{16}$	12⅜	11½	10⅝
ECU Linked Dep. Bid	-	-	12⅜	12⅛	11¼	10½

Treasury Bills (sell): one-month 8½ per cent; three months 8⅛ per cent; six months 8$\frac{5}{16}$ per cent; Bank Bills (sell): one-month 8$\frac{3}{8}$ per cent; three months 8⅜ per cent; Treasury Bills; Average tender rate of discount 8.1102. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I. 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,970 Set by CINEPHILE

ACROSS

1 Reveal fluff, which bring things to a head .... (4-4)
5 .... appear to expose (4,2)
9 He's changed sides by force with Ted (8)
10 French painter playing reserve part (6)
12 Beetle, bird and fish (9)
13 Not a rhyme for a boat (5)
14 Essential part of it in phase (4)
16 Flower crowd returns without deprivation (7)
19 A support so organised is to the point (7)
21 Drink fuel? (4)
24 He should keep his head down: it's different with a gent! (5)
25 Ruin clergy that may do the washing up (9)
27 Chinese part of Switzerland (6)
28 Punch, the mower, cause of harm with a key (8)
29 Piano hire on request (6)
30 Key made of bone? (8)

DOWN

1 Deuces wild – lead astray (6)
2 Non-skating job? (6)
3 Furnishings etc for the inside corner (5)
4 Make love with elan at bonfire? (4,3)
6 Bird call at start of year – speed up with piano (5-4)
7 Mud on lawn made by a thousand and two cars (4-4)
8 Tea, say, during recreation, too late in olden days? (4,4)
11 Queen leaves angel fish, a plump one .... (4)
15 .... among the irreverent she's domineering (9)
17 What sounds useful headgear is a disadvantage (8)
18 Branch of activity outside London? (8)
20 Team's conceit? (4)
21 Russian or Greek island wine (7)
22 Self-propelled wild flower? (6)
23 Rash movement on plain with roses (6)
26 Beast arrived, then left (5)

Solution to Puzzle No.7,979

STAPLE ACCURATE
ADVENTURE DAUNT
OWNS TENDERFEET
DRAWERS RETAIL
REDEEM FLAPPER
PASTMASTER OUSE
DEMON INCUMBENT
STANDING POSTED

هكذا في الأصل

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 6	Oct 5	Oct 2	Oct 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3178.19	3179.00	3200.61	3254.37	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.52	102.59	102.72	102.94	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1253.80	1240.31	1246.75	1260.45	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.14	215.82	217.70	219.33	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3205.20 (3197.10) Low 3147.93 (3087.41) (Theoretical♠)
Day's High (u) (3200.34) Low (u) (3095.79) (Actual♠)

STANDARD AND POOR'S

	Oct 6	Oct 5	Oct 2	Oct 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	407.18	407.57	410.47	416.29	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	477.00	477.78	480.84	487.99	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.52	35.43	35.80	36.29	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	224.09	224.14	225.81	228.73	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	367.71	366.62	371.24	374.81	418.99 (12/2)	366.62 (5/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	570.55	565.21	571.63	578.33	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 2	Sep 25	Sep 18	year ago (approx.)
Dow Industrial Div. Yield	3.24	3.19	3.10	3.12

	Sep 30	Sep 23	Sep 16	year ago (approx.)
S & P Industrial div. yield	2.70	2.68	2.63	2.73
S & P Indl. P/E ratio	27.40	27.57	27.77	21.15

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Marriott	4,368,300	19¼	-¼
ADV Micro	4,126,700	12⅞	+1¼
Citicorp	3,957,600	14¼	-¼
Merck	3,027,400	42⅞	-½
Tyco Toys	2,842,700	13½	-2⅜
Telefonos	2,441,600	45¼	-¼
Ford Motor	1,873,600	37½	-⅜
IBM	1,802,300	79½	+⅜
Gen Motors	1,677,400	30⅞	-¼
MFS Inter	1,649,900	8¼	-⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 6	Oct 5	Oct 2
New York SE	196.660	284.310	187.400
Amex	12.725	15.212	10.076
NASDAQ	(u)	223.692	169.960
NYSE			
Issues Traded	2,326	2,363	2,312
Rises	1,036	414	438
Falls	730	1,511	1,313
Unchanged	560	438	561
New Highs	25	11	30
New Lows	40	164	74

CANADA

TORONTO	Oct 6	Oct 5	Oct 2	Oct 1	1992 HIGH	1992 LOW
Metals & Minerals	2683.71	2706.47	2736.48	2792.58	3238.87 (16/1)	2683.71 (6/10)
Composite	3229.50	3227.53	3231.10	3275.04	3666.00 (16/1)	3227.53 (5/10)
MONTREAL Portfolio	1686.58	1677.73	1668.96	1694.57	1937.59 (16/1)	1668.96 (2/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

**Saturday October 3: Taiwan Weighted Price: 3704.25, Korea Comp Ex. (c)
♠ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

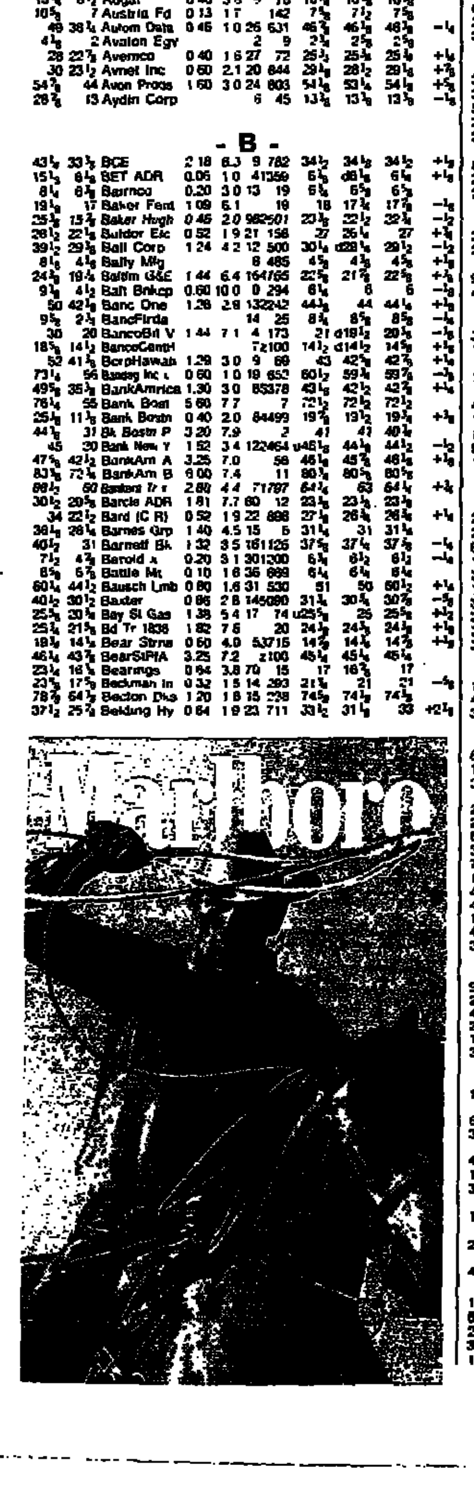
Tuesday October 6 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	12.4m	1,630	+90
Aishin Seika	4.8m	1,010	-30
Mitsui Mining	4.6m	488	-5
Mitsubishi Kakok	4.3m	1,090	+60
Takuma	4.3m	1,200	+40
Nippon Mining	3.9m	500	-2
Sum Cement	3.2m	573	+13
Mitsubishi Hvy	3.0m	552	-8
Nikken Chem	2.9m	1,010	+38
Denki Kogyo	2.7m	759	+29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 6

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅛	AAR Corp	0.48	4.2	16	421	11½	d11¼	11⅜	-⅛
26	18	A L Labs A	0.18	0.8	81	877	22⅞	22¼	22¼	-¼
68¼	52⅝	AMP Inc	1.52	2.5	23	643	60⅛	59⅝	60	+⅛
80¼	54⅝	AMR				218221	58⅝	57⅛	58⅛	+⅛
2⅛	1⅛	ARX			15	209	1⅜	d1⅛	1⅜	-⅛
53½	33⅞	ASA	2.00	5.8	23	164	34¼	34¼	34¾	+¼
34¼	26⅛	Abbott Lab	0.60	2.2	19	12745	27¾	26⅞	27⅝	
13⅞	11⅛	Abitibi Pr	0.42	3.6	6	40	11¼	11¼	11¼	
11⅝	10⅛	ACM Gvt In	0.96	8.6		218	11¼	11⅛	11⅛	-⅛
10⅜	9⅛	ACM GvOpp	0.79	8.0		31	9⅞	9¾	9⅞	+⅛
9¾	8½	ACM Gvt Sp	0.73	8.4		831	9⅛	9⅛	9⅛	+⅛
11⅝	10⅞	ACM Gvt Se x	0.96	8.6		194	u11⅝	11⅛	11⅛	-⅛
10⅝	8⅝	ACM Man	1.08	10.4		493	10½	10⅜	10⅜	
12⅞	9⅞	ACM Managd	0.99	9.6		67	10¼	10⅛	10⅛	
11¼	4¾	Acme Cleve	0.40	6.2	12	37	6¾	6½	6½	-⅛
6¼	4	Acme Elect			23	80	4⅛	d3¾	3⅞	-¼
33¼	14⅞	Acuson				91863	15⅛	14⅝	14⅞	-⅛
20	18⅛	Adams Expr	0.48	2.5	0	37	19⅜	19¼	19¼	
49⅛	29½	Ad Micro	3.00	8.0		403	37⅝	37¼	37⅝	+⅞
21½	7½	Ad Micro P	3.00	23.3		42938	12⅞	12⅛	12⅞	+1⅛
9⅛	4⅞	Advest Grp	0.16	2.8	70	78	6⅝	5½	5⅝	
41⅞	33	Aegon ADR	1.68	4.1	7	10	41⅛	40⅞	40⅞	-½
47	38	Aetna Lf	2.76	6.6	10	798	42½	41⅞	41⅞	-½
12¾	8⅞	Ahil A	0.24	2.3	12	366	10⅝	10⅜	10⅝	+¼
34	24	Aflac	0.44	1.4	14	868	30¾	29⅞	30½	+⅞
19⅝	13¼	Ahmanson	0.88	6.5		62044	13⅝	13⅜	13½	-⅛
22½	4½	Aileen Inc			8	80	4⅜	4⅝	4¾	+⅛
48½	36½	Air Pr Chm	0.86	2.0	18	620	43⅞	43	43¼	-½
29¾	12½	Airbne Frt	0.30	1.8	31	949	16⅜	16¼	16¼	+¼
34⅛	22⅝	Airgas Inc			26	63	31½	31⅛	31¼	-⅛



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NYSE COMPOSITE PRICES

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
34¼	24⅞	Xtra 1.94	1.94	6.1		3	31⅞	31⅞	31⅞	
47½	28½	Xtra Corp	0.80	1.8	13	243	44¼	44	44¼	+¼
30⅝	25¼	Yankee Egy	1.66	5.5	14	8	30¼	30⅛	30⅛	-⅛
1½	½	Zapata			25	105	1	1	1	
11⅛	5½	ZenithElec			3	638	5⅞	5¾	5⅞	+⅛
19½	14½	Zenith Nat	1.00	5.9	8	268	17	16⅞	17	+⅛
7½	6	Zenix Inc x	0.82	11.5		76	7¼	7⅛	7⅛	
13¾	10	Zero Corp	0.40	3.5	18	404	11½	11⅜	11½	+⅛
38	27⅞	Zurn Ind x	0.88	2.9	33	388	30½	30	30½	+⅛
14⅛	12	Zweig Fund	1.12	9.0		348	12½	12⅜	12½	-⅛
11	9½	Zweig Tot	0.96	9.5		835	10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 6

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NASDAQ NATIONAL MARKET

4 pm close October 6

[illegible]

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner En	0.08	18	83	17½	16¾	17½	+¼
Warrntech		28	317	2½	2¼	2⅜	
WashMutSB	0.52	9	487	26⅛	25	25⅞	+⅛
WshEnergy	1.40	29	520	22½	22	22½	
WashFedSL	0.84	10	310	25¼	24½	25	
WattsIndA	0.28	18	33	49	48	48½	+1
Wausau PM	0.34	12	204	34½	32½	33⅞	+⅜
WD - 40	1.80	17	26	41½	40	41½	
Weitek		2	328	3⅛	3	3¼	
West One x	1.04	12	88	41½	40¾	41	+¼
WstnPubl		24	3315	u22⅛	20⅜	21⅞	+1¼
Wst SealA		21	379	8½	8⅛	8½	+⅛
Wetterau	0.68	13	54	30⅛	30	30	
Willmette	0.84	21	569	32½	31¾	32¼	-¼
WmsSonoma		73	355	11½	10½	11	
Wiser Oil	0.40	545	29	16⅛	16	16⅛	+⅛
Wolohan L	0.28	15	29	22	21¼	22	+¼
Wolv Expl		0	50	⅜	⅜	⅜	-1/16
WrvE/W93A			100	1/16	d1/32	1/32	
Wthington	0.48	20	1499	19¼	d18¾	19¼	+⅛
WPP Group	1.11	0	140	1⅛	d1	1	-⅛
Wyman-Gdn	0.40	4	36	5	4¾	4¾	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		19	4239	17¾	d16¾	17¼	
Xoma Corp		5	2462	9¼	d9	9¼	
Yellow Fr	0.94	20	466	24	23¼	23¾	+½
York Rsch		6	756	6⅞	6⅞	6½	-⅛
ZionsUtah	1.44	11	105	60½	58½	58½	-½

WORLD STOCK MARKETS

AMERICA

Dow supported by hopes of a rate cut

Wall Street

US MARKETS settled down with share prices holding their ground amid mounting speculation about a possible interest rate cut, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 0.81 at 3,178.19, the index having spent all but the first few minutes of the day only a few points either side of Monday's close.

The more broadly based Standard & Poor's 500 was also virtually unchanged at the finish, down 0.41 at 407.16, while the Amex composite added 1.09 at 367.71 and the Nasdaq composite firmed 5.34 to 570.55.

Turnover on the New York SE was 197m shares, and rises outpaced declines by 1033 to 727. Although the concerns about the economy and corporate earnings that were behind Monday's volatility were still dogging the market, investors switched their attention yesterday to the Federal Reserve's open market committee (FOMC), and prospects for a cut in interest rates.

There was no sign from the committee of any policy shift yesterday, but many analysts were predicting that the FOMC would agree to a 25 basis-point cut in the federal funds rate, or a 50 basis point cut in the more important discount rate, or both. Normally, such predictions would have stimulated anticipatory buying, but in light of the market's unstable mood, investors were holding off until they had proof that rates were being cut.

Among individual stocks, Citicorp dropped $¾ to $14¾ in turnover of 3.3m shares after the bank announced that its third quarter profits would come in between eight cents and 13 cents a share, well below analysts' expectations. The stock's fall also represented investor concern about the sudden departure of the banking group's president, Mr Richard Braddock, who resigned on Monday night.

Advanced Micro was one of the day's best performers, advancing $1⅛ to $12⅞ in turnover of 2.9m shares after the company unveiled third quarter net income of 51 cents a share, up sharply from the 16 cents a share of a year ago. Advanced Micro also said that it expected profits to grow even faster in the fourth quarter.

Tyco Toys dropped $2⅛ to $13⅞ in heavy trading after an analyst at the broking house Salomon Brothers, downgraded the stock from a "buy" to a "hold" and cut his 1992 and 1993 earnings estimates, citing weak retail sales, an unfavourable sales mix and rising advertising costs.

On the Nasdaq market, some of the leading stocks which tumbled on Monday bounced back, including Microsoft, up $¾ at $82½ and Amgen $1¼ higher at $60¾.

Optrotech dropped $1½ to $12¼ after the Federal Trade Commission asked the company to delay its merger with Orbot Systems because of concerns about the effect of the link-up on competition.

Canada

TORONTO stocks broke a week-long down fallending with marginal gains after a day of cautious trade, dealers said. After losing more than 150 points last week,

the TSE 300 closed up 1.96 points at 3,229.49, after swinging within a 21-point range in the morning. Volume was 25.5m and transactions were valued at C$371 m.

ASIA PACIFIC

Tokyo seven-day losing streak ends

Tokyo

JAPANESE share prices broke a seven-day losing streak to end firmer, buoyed by index buying by investment trusts late in the afternoon. Earlier in the day, the turmoil on overseas equity markets had pushed the Nikkei average below the psychologically important 17,000 level, *writes Emiko Terazono in Tokyo.*

The 225-issue index closed 166.60 higher at 17,268.10. It fell to the day's low of 16,901.60 in the early afternoon on arbitrage unwinding, but later rose to the day's high of 17,318.66.

Volume rose to 220m shares from 182m. However, investor interest remained low and fluctuations in overseas financial markets were used as excuses to remain on the sidelines.

In spite of the rise in the index, declines led advances by 461 to 434 with 175 issues remaining unchanged. The Topix index of all first section stocks gained 6.42 to 1,299.13 and in London, the ISE/Nikkei 50 index rose 1.30 to 1036.58.

Analysts said that uncertainty about earnings growth prospects made share prices look overvalued. The Tokyo market is currently trading at a price-earnings ratio of around 46. Mr Jason James, strategist at James Capel, said that after the announcement of the government's economic emergency package, investors had pushed up share prices without firm evidence of a fundamental improvement. "The euphoria has been dissipated by doubts about the effects of the package on the economy, and the bank bailout scheme," he said.

Most market participants believe that fears ahead of the forthcoming interim earnings announcements could drag the average lower. However, public funds and bargain-hunting by investors who missed the September rally are expected to support the index at lower levels.

Activity centred around short-term theme stocks. Aids-related issues were higher, with Green Cross, the most active issue of the day, up Y90 to Y1,630. Mazda Motor, which is planning to announce its new rotary engine today, rose Y10 to Y450.

Denki Kogyo, a telecommunications antenna maker, rose Y29 to Y759 on active buying. The company is reported to be involved in Aisin Seiki's nuclear fusion research programme. But Aisin Seiki, which had risen on its reported success of nuclear fusion at room temperature, lost Y30 to Y1,010 on profit-taking.

Export-oriented, high-technology issues, which had weakened on the yen's strength, were mixed. Hitachi declined Y1 to Y739 and NEC fell Y4 to Y695, while Toshiba gained Y1 to Y566.

In Osaka, the OSE average advanced 41.34 to 18,758.72 in volume of 8.7m shares.

Roundup

PACIFIC Rim markets were mostly lower as sharp falls in Europe depressed sentiment.

TAIWAN fell as September inflation data registered an 11-year high of 7.36 per cent. The weighted index lost 157.58 or 4.2 per cent to 3,562.87 in turnover of T$17.3bn.

News that a director of Formosan Rubber had been arrested over allegations of insider trading also affected sentiment. Formosan Rubber closed down T$7 at T$96.

HONG KONG remained nervous following Monday's holiday, but came off the day's lows on late bargain-hunting. The Hang Seng index lost 42.32 to 5,553.12, having plunged 154 points soon after the opening. Turnover was HK$1.7bn.

HSBC Holdings lost 50 cents to HK$55 and Hongkong Land rose 10 cents to HK$13.1.

AUSTRALIA ended at a new 18-month closing low. The All Ordinaries index fell to 1,447.9 in early trading but closed 14.7 down at 1,452.4, the lowest close since April 10, 1991.

A note of optimism crept in late in the day with a A$50m buy portfolio handled by First State Securities. A total of 77.7m shares worth A$179.7m were traded before the portfolio was put through the system.

BANGKOK lost 1.4 per cent in active trading. The SET index shed 12.06 to 865.52 in turnover of Bt12.4bn. Declines led advances by 182 to 60 with 42 shares unchanged.

Bangkok Land fell Bt3 to Bt140, Bangkok Bank Bt1.50 to Bt85.00 and Thai Airways International Bt1.00 to Bt55.50.

SEOUL was lifted by intervention by the Stabilisation Fund which helped to keep the market above the 500-level. The composite index rose 5.54 to 507.76 in turnover of Won106.7bn. Advancing issues led declines by 423 to 256 with 167 unchanged.

NEW ZEALAND closed below 1,400 for the first time since mid-April and ended only 25 points off the low for 1992 set on April 9. The NZSE-40 index closed 15.83 lower at 1,396.16 in turnover of NZ$19m.

Brierley Investments was the weakest of the leaders, ending 3 cents lower at its year's low of 82 cents.

KUALA LUMPUR closed off the day's lows as a rebound in Tokyo prompted some bargain-hunting in the afternoon. The composite index closed down 3.63 at 590.70. But trading was thin as investors kept to the sidelines ahead of Malaysia's 1993 budget on October 30.

BOMBAY fell on what one broker described as "the tremendous pressure of rights issues", the BSE index closing 67.96 lower at 3,247.76.

Merchant bankers and stockbrokers estimate that Indian companies are planning to raise up to Rs100bn ($3.5bn) in the next six months.

S.African equities weaken

THE fall in South African equities slowed yesterday, in the wake of the 2.8 per cent fall in the overall index on Monday, *John Pitt writes.*

However, some analysts said that the trend was still downward and forecast that prices could lose a further 10 to 15 per cent in the fourth quarter.

Gold shares, which had been boosted by a weak financial rand on Monday, lost ground as the quarterly reporting session began with publication of interim figures from Gold Fields. The gold index lost 7 to 895. The overall index fell 10 to 3,103 while industrials shed 15 to 4,088.

The announcement by De Beers that it was considering retrenchment at its local mining operations because of the depressed state of the diamond market took the shares to an intraday low of R47.50.

Late bargain hunting lifted the price to R48.25 for a gain of 40 cents, but the share price was still 48 per cent below its level six months ago.

Some brokers remain sellers of the stock, because 1992 sales are likely to be the lowest for five years.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at SEPTEMBER 30 1992 are expressed below in millions of US dollars and as a percentage of the World Index. *Similar figures* are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS *Figures in parentheses* show number of lines of stock	Market capitalisation *as at* SEPTEMBER 30 1992 (US$m)	% of World Index	Market capitalisation *as at* JUNE 30 1992 (US$m)	% of World Index	% change in $ index since DECEMBER 31 1991
Australia (68)	94116.9	1.31	108069.7	1.52	−17.71
Austria (19)	*11277.4*	*0.16*	*12172.3*	*0.17*	−3.49
Belgium (42)	54617.1	0.76	54020.4	0.76	+2.47
Canada (114)	129378.4	1.79	139255.3	1.96	−14.09
Denmark (33)	25030.1	0.35	28858.2	0.41	−21.98
Finland (15)	1216.1	0.02	1604.6	0.02	−23.84
France (102)	257942.6	3.58	257910.2	3.64	+6.88
Germany (64)	261262.8	3.62	288987.2	4.07	−2.50
Hong Kong (53)	*106178.6*	*1.47*	*132022.6*	*1.86*	+29.15
Ireland (16)	9197.8	0.13	9727.4	0.14	−13.06
Italy (78)	72498.5	1.01	97590.4	1.38	−31.77
Japan (473)	1893429.9	26.27	1672397.9	23.57	−19.81
Malaysia (69)	39051.3	0.54	36856.0	0.52	+16.76
Mexico (18)	33504.0	0.46	39031.6	0.55	−11.90
Netherland (25)	123701.6	1.72	118157.1	1.67	+11.13
New Zealand (14)	10141.7	0.14	11462.4	0.16	−13.30
Norway (22)	6427.3	0.09	7517.0	0.11	−17.92
Singapore (38)	21117.1	0.29	24522.4	0.35	−14.06
South Africa (61)	71106.9	0.99	87761.7	1.24	−28.51
Spain (48)	65509.9	0.91	84708.6	1.19	−23.54
Sweden (30)	42958.6	0.60	46847.4	0.66	−8.71
Switzerland (60)	155362.4	2.16	141160.7	1.99	+21.92
United Kingdom (228)	*788766.3*	*10.94*	*831144.5*	11.71	−2.90
USA (522)	2934530.6	40.71	2863170.0	40.36	+0.28
Europe (782)	1875768.6	26.02	1980406.2	27.91	−2.14
Nordic (100)	75632.1	1.05	84827.3	1.20	−16.56
Pacific Basin (715)	*2164035.5*	30.02	1985331.1	27.98	−17.53
Euro − Pacific (1497)	4039804.1	56.04	3965737.3	55.90	−11.20
North America (636)	*3063909.0*	42.51	3002425.3	42.32	−0.42
Europe Ex. UK (554)	1087002.3	15.08	1149261.7	16.20	−1.61
Pacific Ex. Japan (242)	270605.6	3.75	312933.2	4.41	+2.65
World Ex. US (1690)	4273793.4	59.29	4231785.8	59.64	−11.65
World Ex. UK (1984)	6419557.7	89.06	6263811.3	88.29	−7.63
World Ex. So. Af. (2151)	7137217.1	99.01	7007194.1	98.76	−6.86
World Ex. Japan (1739)	5314894.1	73.73	5422557.9	76.43	−1.49
The World Index (2212)	7208324.0	100.00	7094955.7	100.00	−7.14

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 6 1992								MONDAY OCTOBER 5 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	122.45	−1.4	106.05	92.73	91.04	113.01	−1.0	4.31	124.16	108.28	93.86	90.82	114.17	153.68	122.45	150.97
Austria (19)	156.52	−2.4	135.54	118.53	116.36	116.01	−0.3	2.52	160.43	139.91	121.29	117.36	116.36	186.70	139.27	173.51
Belgium (42)	142.39	−2.1	123.31	107.82	105.86	103.42	+0.0	5.98	145.40	126.81	109.92	106.36	103.45	152.27	135.87	128.57
Canada (114)	114.34	−0.3	99.02	86.58	85.00	103.29	−0.2	3.43	114.66	100.00	86.68	83.87	103.49	142.12	114.12	134.58
Denmark (33)	201.54	−2.5	174.53	152.62	149.84	151.79	−1.2	1.88	206.77	180.33	156.33	151.25	153.69	273.94	196.78	250.38
Finland (15)	57.74	−1.3	50.00	43.72	42.92	56.00	−0.4	2.57	58.47	50.99	44.20	42.77	55.22	89.80	52.84	85.81
France (101)	148.17	−1.6	128.32	112.20	110.15	112.78	+0.0	4.00	150.57	131.31	113.82	110.13	112.78	168.75	148.06	139.89
Germany (64)	109.33	−1.8	94.68	82.80	81.28	81.28	−0.1	2.82	111.28	97.05	84.14	81.40	81.40	129.69	109.33	106.49
Hong Kong (53)	229.33	*−0.6*	198.60	*173.66*	*170.50*	227.49	−0.8	3.86	230.82	*201.30*	*174.50*	*168.85*	228.92	*259.55*	*176.35*	*168.52*
Ireland (16)	142.35	−0.9	123.27	107.80	105.83	108.98	+1.2	4.98	143.61	125.24	108.57	105.05	107.72	173.71	142.35	155.33
Italy (77)	48.35	+1.9	41.87	36.61	35.95	47.29	+1.4	4.41	47.47	41.40	35.88	34.72	46.62	80.86	47.47	70.60
Japan (472)	108.24	+0.4	93.74	81.97	80.48	81.97	+0.6	1.04	107.76	93.98	81.46	78.83	81.46	140.95	87.27	141.06
Malaysia (69)	245.61	−0.5	212.70	185.99	182.60	236.15	−0.5	2.77	246.83	215.26	186.60	180.55	237.26	250.65	212.49	191.23
Mexico (18)	*1337.73*	+3.7	1158.47	*1013.03*	994.54	4549.42	+3.6	*1.32*	*1290.60*	*1125.54*	*975.71*	*944.07*	*4390.55*	*1789.77*	*1185.84*	*1201.75*
Netherland (25)	164.15	−0.3	142.16	124.31	122.04	120.62	+1.3	4.70	164.73	143.66	124.53	120.50	119.09	169.70	147.88	138.12
New Zealand (14)	40.27	−1.3	34.88	30.50	29.94	39.31	−1.2	5.76	40.80	35.58	30.85	29.85	39.78	48.52	40.23	45.88
Norway (22)	138.23	−1.3	119.71	104.68	102.77	109.66	+0.3	2.21	140.09	122.18	105.91	102.48	109.38	192.95	136.40	191.14
Singapore (38)	187.05	−0.6	161.99	141.65	139.06	137.06	−0.6	2.39	188.21	164.14	142.29	137.67	137.95	229.63	180.71	186.46
South Africa (60)	*144.92*	*+0.4*	*125.50*	*109.74*	*107.74*	*151.37*	*−0.3*	*3.36*	*144.29*	*125.83*	*109.08*	*105.54*	*151.80*	*263.60*	*144.29*	*251.29*
Spain (48)	110.53	+0.4	95.72	83.70	82.17	85.20	+2.4	6.98	110.05	95.98	83.20	80.50	83.21	161.72	110.05	151.17
Sweden (31)	149.69	−1.0	129.63	113.36	111.29	120.05	+0.2	3.27	151.16	131.83	114.28	110.58	119.84	200.28	149.69	179.55
Switzerland (60)	117.02	−0.7	101.34	88.62	87.01	90.54	+1.1	2.36	117.84	102.77	89.10	86.21	89.57	122.37	95.99	92.60
United Kingdom (228)	168.60	+2.3	146.00	127.66	125.33	146.00	+1.5	5.02	164.88	143.80	124.64	120.60	143.80	200.07	164.88	178.61
USA (522)	*166.28*	*+0.0*	*144.00*	*125.92*	*123.63*	*166.28*	*+0.0*	*3.05*	*166.34*	*145.07*	*125.76*	*121.69*	*166.34*	*173.39*	*160.92*	*154.63*
Europe (781)	136.06	+0.3	117.84	103.05	101.17	109.59	+0.9	4.29	135.66	118.31	102.56	99.24	108.60	156.88	135.66	139.20
Nordic (101)	*142.53*	−1.5	*123.43*	*107.94*	*105.97*	*107.88*	*−0.3*	2.73	144.72	*126.21*	109.41	105.86	108.19	*188.52*	142.53	*179.59*
Pacific Basin (714)	112.39	+0.3	97.33	85.12	83.56	87.04	+0.4	1.39	112.08	97.75	84.74	81.99	86.66	141.97	93.70	141.32
Euro − Pacific (1495)	121.98	+0.3	105.63	92.36	90.68	96.25	+0.7	2.70	121.62	106.07	91.94	88.96	95.62	145.21	113.80	140.82
North America (636)	163.05	+0.0	141.20	123.49	121.24	162.00	+0.0	3.07	163.13	142.27	123.34	119.36	162.07	170.49	158.70	153.32
Europe Ex. UK (553)	116.34	−1.0	100.75	88.12	86.51	89.68	+0.5	3.76	117.57	102.53	88.90	86.02	89.25	132.98	116.34	115.97
Pacific Ex. Japan (242)	153.13	−0.9	132.61	115.96	113.86	138.06	−0.8	3.82	154.52	134.76	116.84	113.04	139.12	175.31	149.00	143.76
World Ex. US (1687)	122.66	+0.3	106.23	92.90	91.20	98.18	+0.6	2.72	122.29	106.65	92.46	89.46	97.55	146.91	116.18	142.41
World Ex. UK (1981)	133.38	−0.1	115.51	101.01	99.17	115.37	+0.2	2.80	133.49	116.41	100.92	97.65	115.11	150.58	127.21	142.31
World Ex. So. Af. (2149)	136.49	+0.2	118.20	103.37	101.48	118.73	+0.4	2.86	136.27	118.84	103.03	99.69	118.29	153.05	130.04	144.77
World Ex. Japan (1737)	152.66	+0.1	132.20	115.62	113.51	140.44	+0.3	3.32	152.57	133.06	115.35	111.62	140.06	165.40	152.57	149.21
The World Index (2209)	136.44	+0.2	118.16	103.33	101.44	119.05	+0.4	2.86	136.22	118.80	102.98	99.65	118.62	153.70	130.66	145.47

EUROPE

Currency effect assists in Eurotrack recovery

BOURSES generally recovered from the depths they hit on Monday afternoon, when the Dow dropped 100 points in early trading, *writes Our Markets Staff.*

However, the 1.8 per cent rise in the FT-SE Eurotrack 100 index, which is expressed in terms of D-Marks, also owed something to the recovery of other currencies against their German counterpart.

FT-SE Eurotrack 100 - Oct 6							
Hourly changes							
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
952.35	954.28	956.94	954.81	956.60	953.39	954.13	954.29
Day's High 957.89				Day's Low 952.26			
Oct 5	Oct 2	Oct 1	Sep 30	Sep 29			
937.42	993.56	1006.01	1003.44	1009.98			

Base value 1000 (26/10/90)

FRANKFURT's recovery was not immediately apparent, as the DAX index closed down 4.10 at a new 1992 closing low of 1,420.30, but dealers noted that there had been an indicated break below 1,400 in the post-bourse on Monday.

There was no obvious pattern, either, to individual or sector share price levels. In carmakers, after Monday's earnings downgrades and general gloom, BMW recovered DM7 to DM460 and Continental, an industry supplier, by DM4.50 to DM194.50; but Daimler dropped DM7.50 to DM525.50 and Volkswagen by DM4.60 to DM258.60.

Similarly, in chemicals BASF gained DM3.40 marks to DM204 while Bayer and Hoechst were both slightly lower. A 0.4 per cent fall in western German manufacturing orders in August did nothing to brighten the outlook.

Siemens slipped DM7.40 to DM546.00. The company said yesterday that its automation division had produced lower profits for 1991-92, but gave no specific figures.

PARIS had another volatile day, the CAC-40 index dipping as low as 1,586.11 before ending 1.47 better at 1,612.51. Turnover was moderate at FFr2.6bn, and trading was dominated by arbitrage activity.

Hachette surged 20.2 per cent or FFr23.80 to FFr141.80 on speculation about the share parity when the media company is merged with its sister company, Matra.

Other gainers included Total, up FFr7.20 or 3.6 per cent to FFr205.60, on bargain-hunting in the wake of its recent weakness.

Eurotunnel slowed after Monday's sharp fall, closing FFr1.10 lower at FFr29.25.

AMSTERDAM was broadly positive, and the CBS Tendency index ended 1.6 or 1.5 per cent higher at 107.7.

DAF rose on publication of an interview with the group's chairman but subsided later as investors found little new in the comments. It closed up 60 cents at Fl 12.60.

Heineken, Fl 2.10 better at Fl 167.30, was boosted by its decision to initiate exports to Germany in the new year. However, James Capel reiterated a hold note yesterday, forecasting "a noticeable slowdown in earnings growth over the next 12 months".

MILAN ended widely mixed in a session dominated by speculative buying of a number of potential takeover stocks. Dealers added that some institutions used yesterday's technical bounce to continue to lighten their positions. The Comit index rose 2.74 to 361.11 in turnover estimated at L120bn after L111.7bn.

Speculation that Fiat would sell off non-core assets to strengthen its balance sheet sent the retailer Rinascente and Snia BPD, a diversified chemical group, sharply higher. Rinascente soared L410 or 10 per cent to L4,460 while Snia also added 10 per cent or L75 to L805 at its official fixing, though it fell back to L765 later.

Stet recovered L45 or 4.3 per cent to L1,080 after Monday's heavy fall.

MADRID took heart after the government said that it was not planning to raise interest rates in the short term. The general index rose 3.67 to 183.15. Banks were boosted by BBV's decision to increase its quarterly dividend by Pta2 to Pta38 as its shares rose Pta75 to Pta2,015.

STOCKHOLM featured a SKr7.50 gain to SKr48 for Proventus B after the investment company proposed redeeming outstanding shares at SKr50. The Affärsvärlden General index rose 4.1 to 643.1 in turnover of SKr422m after SKr443m.

In the forestry sector, Stora B shares dropped another SKr10 to SKr165 following its earnings report on Monday.

ZURICH liked the drop in the Swiss inflation rate, which fed through into lower domestic interest rates, higher bank shares and a recovery in the SMI index of 33.2, or 1.9 per cent to 1,820.5. UBS rose SFr12 to SFr766, and SBC SFr6 to SFr275.

HELSINKI saw a sharp fall in bank shares as the Hex index closed 6.4 lower at 603.1. The banks and finance index dropped another 19.3 per cent, KOP free shares falling FM1.2 to FM3.8 and Unitas B FM1.6 to FM2.7.

After hours it was reported that IBCA, a ratings agency, might cut its ratings on Kop, Unitas and Postipankki.

Bank and shipping shares led COPENHAGEN lower as the all-share index fell 3.28 to 258.02, *writes Hilary Barnes.* Danske Bank was down DKr8 to DKr226 and Unidanmark fell DKr5 to DKr111. AP Moller's D/S 1912 B fell DKr1,000 to DKr71,800.

VIENNA remained in an uncertain mood as the ATX index eased 0.90 to 768.55. Austrian Airlines was one of the day's main gainers, up Sch50 or 2.6 per cent at Sch1,920.

ISTANBUL retreated 2.7 per cent to its second consecutive three-month low as the release of disappointing inflation data on Sunday continued to weigh on sentiment. The 75-share index fell 105.12 to 3,814.18.